FINAL REPORT
OF THE
COMMITTEE ON COMMERCIAL AND INDUSTRIAL POLICY AFTER THE WAR

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Presented to Parliament by Command of His Majesty.

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Appointment and Terms of Reference.

The Prime Minister has appointed a Committee with the following terms of reference :—

"To consider the commercial and industrial policy to be adopted after the War, with special reference to the conclusions reached at the Economic Conference of the Allies, and to the following questions :—

"(*a*) What industries are essential to the future safety of the nation : and what steps should be taken to maintain or establish them.

"(*b*) What steps should be taken to recover home and foreign trade lost during the War, and to secure new markets.

"(*c*) To what extent and by what means the resources of the Empire should, and can be developed.

"(*d*) To what extent and by what means the sources of supply within the Empire can be prevented from falling under foreign control."

The Committee is composed as follows :—

The Right Hon. Lord Balfour of Burleigh, K.T., G.C.M.G., (*Chairman*).

Mr. Arthur Balfour.

Mr. H. Gosling.

Mr. W. A. S. Hewins, M.P.

Mr. A. H. Illingworth, M.P.

Sir J. P. Maclay, Bart.

The Right Hon. Sir A. Mond, Bart., M.P.

Mr. Arthur Pease.

Mr. R. E. Prothero, M.P.

*Sir Frederick H. Smith, Bart.

Mr. G. J. Wardle, M.P.,

together with the following gentlemen who are presiding over Board of Trade Committees on the position of important industries after the War :—

Sir H. Birchenough, K.C.M.G. (Textile Trades Committee).

Sir Alfred Booth, Bart. (Shipping and Shipbuilding Trades Committee).

Lord Faringdon (Committee on Financial Facilities).

Sir C. G. Hyde (Engineering Trades Committee).

The Hon. Sir C. A. Parsons, K.C.B., F.R.S. (Electrical Trades Committee).

Lord Rhondda (Coal Trade Committee).

Mr. G. Scoby Smith (Iron and Steel Trades Committee).

Mr. Percy Ashley, of the Board of Trade, and Mr. G. C. Upcott, of the Treasury, have been appointed Secretaries to the Committee.

July, 1916.

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* Now Lord Colwyn.

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NOTE AS TO CHANGES IN THE MEMBERSHIP OF THE COMMITTEE.

In October, 1916, the following additional appointments were made to the Committee :—

Mr. R. Hazleton, M.P.,
Sir W. S. McCormick, LL.D.,
†Mr. A. McDowell,
Mr. J. O'Neill.

In November, 1916, Sir G. A. Muntz, Bart., was added to the Committee in his capacity of Chairman of the Committee appointed by the Board of Trade to consider the position of certain Non-Ferrous Metal Trades after the War.

In December, 1916, the following ceased to be members of the Committee upon accepting office on the formation of the present Government :—

Lord Rhondda,
Mr. A. H. Illingworth, M.P.,
Sir J. P. Maclay, Bart.,
Sir A. Mond, Bart., M.P.,
Mr. R. E. Prothero, M.P.

In January, 1917, Mr. A. Nimmo was appointed to the Committee upon becoming Chairman of the Coal Trade Committee in succession to Lord Rhondda.

Subsequently, in April, 1917, the following were appointed to the Committee to fill the vacancies created in the preceding December :—

Sir C. S. Henry, Bart., M.P.,
Sir W. Pearce, M.P.,
Sir W. Priestley, M.P.,
Mr. J. A. Roxburgh.
Sir A. Williamson, Bart, M.P.

Finally, in August and September, 1917, Mr. Wardle and Mr. Hewins retired from the Committee upon appointment as Parliamentary Secretary to the Board of Trade and Under Secretary of State for the Colonies respectively.

The final composition of the Committee is therefore as follows :—

The Right Hon. Lord Balfour of Burleigh, K.T., G.C.M.G., G.C.V.O. (*Chairman*),
Mr. A. Balfour,
Sir Henry Birchenough, K.C.M.G.,
Sir Alfred Booth, Bart.,
The Right Hon. Lord Colwyn,
The Right Hon. Lord Faringdon,
Mr. H. Gosling, C. H.
Mr. R. Hazleton, M.P.,
Sir C. S. Henry, Bart., M.P.,
Sir Clarendon Hyde,
Sir W. S. McCormick, LL.D.,
Sir A. McDowell, G.B.E.,
Sir G. A. Muntz, Bart.,
Mr. A. Nimmo,
Mr. J. O'Neill,
The Hon. Sir C. A. Parsons, K.C.B., F.R.S.,
Sir W. Pearce, M.P.,
Mr. A. F. Pease,
Sir W. Priestley, M.P.,
Mr. J. A. Roxburgh,
Mr. G. Scoby Smith,
Sir A. Williamson, Bart., M.P.

Mr. Hazleton was unable to be present during the later stages of the enquiry, and has not signed the Report.

† Now Sir A. McDowell, G.B.E.

REPORT.

TO THE RIGHT HON. D. LLOYD GEORGE, M.P., PRIME MINISTER.

CHAPTER I.

INTRODUCTION.

SIR,

1. WE have now the honour to present our final report upon the matters referred to us by Mr. Asquith as Prime Minister in July, 1916. In the course of our inquiry we have held 49 meetings, and there have also been meetings of sub-committees constituted for special purposes from time to time, we have examined 81 witnesses and have considered a large amount of documentary evidence. It will be seen from the Note printed on the preceding pages that since the date of our original appointment considerable changes have taken place in our membership, chiefly in consequence of the acceptance of office by five members of the Committee on the formation of the present Government in December, 1916.

2. The terms of our reference cover a vast range of subjects, and, having regard to the fact that the special circumstances of many of the most important and staple Trades were being made the subject of enquiry by special Committees appointed by the President of the Board of Trade, we resolved after a review of all the circumstances to proceed mainly upon documentary evidence, and particularly upon the reports of the above-mentioned Committees, and only to undertake the examination of witnesses in regard to matters not adequately covered by the records and materials already available for our use. It will be noticed that the Chairmen and, in some cases, other members of the Committees to which we refer are also members of our Committee. We have had before us very valuable reports from the special Committees which have been based upon prolonged and exhaustive inquiries, and we have also received a large number of representations from Chambers of Commerce and Trade Associations, to which we addressed certain inquiries, from private firms and individuals, and from the Governments of certain Crown Colonies and Protectorates through the Colonial Office. We have accordingly for the most part called witnesses in connexion with a limited number of "pivotal" industries referred to in Chapter V, or to elucidate certain special points only, but we thought it desirable to supplement the inquiries of the special Committees mentioned above by taking general evidence on broad questions of commercial policy from a number of merchants engaged in export trade with the most important overseas markets.

3. At the outset of our deliberations we decided to deal in the first place as matters of special urgency with the policy to be adopted with a view to carrying into effect immediately after the War the Resolutions of the Paris Economic Conference for the Transitional Period.* These Resolutions were accepted by the late Government and our attention is specially directed to them by the terms of our Reference. We accordingly submitted to Mr. Asquith on the 9th November, 1916, a report on the Importation of Goods from the present Enemy Countries during the Transitional Period after the War, and on the 14th December, 1916, we forwarded to you a report on the Treatment of Exports from the United Kingdom and British Overseas Possessions and the Conservation of the Resources of the Empire during the same period.

4. The announcement at the commencement of the present year that an Imperial War Conference would be held at an early date made it in our opinion desirable that we should give immediate consideration to the question of the future trade relations between the United Kingdom and the British Possessions Overseas, and we accordingly transmitted to you on the 2nd February last certain Resolutions at which we had arrived in regard to the Policy of Imperial Preference.

5. On the 16th March last we made a further interim report on certain Essential Industries in which we dealt, with special reference to Subhead (*a*) of our Terms of Reference and to the first of the Permanent Resolutions of the Paris Economic Conference, with certain typical "key" or "pivotal" industries, and laid down the general conclusions which seemed to us to flow from our detailed examination of selected instances.

6. When we come to consider all the difficulties connected with reconstruction after the War it is obvious that we shall have to re-organise our industries to meet the new conditions. We shall have to consider the difficulties in which our industrial problems, as well as some aspects of our social life, were involved before the outbreak of war; and we must consider how to deal with the economic problems of our industrial life, which, if not created, have at any rate been brought into prominence and tested by the War. To do this successfully we shall have to take a wide view of such points as how to get the most efficient production out of our industries as well as how to adjust the interests of all concerned. In all probability a permanent improvement can only

* The Recommendations of the Paris Economic Conference were published in Cd. 8271.

be obtained from better organisation of the trades concerned, but those interested will almost certainly look for assistance from the Government in a variety of ways, and questions involving tariffs will have to be considered and dealt with. In our opinion it will be necessary for the Government to give special consideration to the circumstances of each trade, and any request for encouragement and assistance should be dealt with not only on its own merits but in relation to the trade of the country as a whole. It must not be lost sight of that the connection between the different trades is closer than is always recognised, and the fact that the producers in one trade are the consumers in others makes it impossible to deal with the development of any particular industry without considering its effect upon those employed in others.

7. In this report we recapitulate for the sake of making a complete record the conclusions embodied in our interim reports. We state also the broad principles which in our opinion should guide the Commercial policy of the Government in other measures which may be required during the transitional period after the War, but we do not think it possible or expedient for us to attempt any detailed elaboration of those measures which must largely depend upon circumstances which cannot at present be altogether foreseen. Similarly we have not thought that any useful purpose would be served by the reconsideration of a number of questions which have been fully investigated, both immediately before and during the War, by other bodies such as the Dominions Royal Commission. The main object, therefore, of the report which we have now the honour to present is to lay down the general lines of policy upon which we think that permanent provision should be made in the light of the experience of the war for the safeguarding and promotion of British Industry and Commerce in the future. This we do in broad outline, and we have not attempted to enter into the detailed application of the principles which we recommend, except where it appeared to be necessary to do so for purposes of illustration.

8. There are however two specific matters to which we thought it desirable to give special attention and on which we have taken a considerable amount of evidence, namely the proposals for the compulsory adoption of the Metric System of Weights and Measures in this country and the introduction of a Decimal Coinage. With these subjects we deal at length in Chapters X and XI of this Report.

9. We had originally proposed to include in our investigation and Report the subject of further State action in respect of the collection and dissemination of Commercial Intelligence, and the extension and improvement of the Commercial Attaché and Consular Services of the Foreign Office and the Trade Commissioner Service of the Board of Trade. It is apparent from the Reports of the Departmental Committees appointed by the Board of Trade and from the evidence of our own witnesses that these are matters to which great importance is attached by British traders generally; but as we were informed that they were already under the serious consideration of the Government Departments concerned, and were the subject of exhaustive enquiries, we decided that it was unnecessary for us to deal with them. We have now had before us the "Memorandum with respect to the Future Organisation of Commercial Intelligence," (Cd. 8715), issued by the Board of Trade and the Foreign Office, which sets out the new arrangements as to the Department of Commercial Intelligence; and we need not do more than express our appreciation of the advance which has been made, and our hope that the new organisation may be enabled to give the fullest possible assistance in the development of our Inter-Imperial and Foreign trade alike.

10. It will be observed that we have not dealt in this Report with the question of Shipping Policy after the War. Owing to difficulties which we fully appreciate, the Departmental Committee on Shipping and Shipbuilding have been hitherto unable to complete their labours and to present a report on shipping questions for our consideration. In view of the exhaustive inquiries which the Departmental Committee are making, it appeared to us that to attempt ourselves to undertake a detailed investigation into the matter would be a waste of effort, and we thought it inexpedient on general grounds to delay this Report further. In these circumstances we recommend that the whole position as regards shipping (which will vitally affect the welfare of all industries after the War) should be specially considered by the Government in the light of the Departmental Committee's report, as soon as it is received. We wish only to say that, in view of the shortage of the world's tonnage, whilst it may be desirable to impose for a limited period some restriction on the use of British ports by present enemy shipping, any policy which might tend to check the use of our ports by foreign shipping generally would, in our opinion, be inexpedient.

11. We attach great importance to Resolution B. I of the Paris Economic Conference being carried out in its widest sense. We are of opinion that the rapid reconstruction of industry and of our mercantile marine will depend largely on the extent to which reparation is exacted in kind from enemy countries, and that this should be done as fully as may be practicable.

12. The main subjects discussed in this Report, in addition to those already dealt with in our Interim Reports, are accordingly:—

(1) The manner in which Imperial Resources may be further developed and the supplies of important raw materials assured:
(2) The treatment of aliens, including present enemy subjects, in respect of certain commercial and industrial occupations in this country:
(3) The internal re-organisation of industry and the assistance which may be rendered by the Government in promoting it:
(4) The question of financial facilities for trade, and the bearing of taxation upon industrial development.

(5) The general policy which should be adopted by the State in regard to the manufacturing and commercial interests of the British Empire, with special reference to the prevention of "dumping" and the safeguarding of important staple industries.

(6) The proposals for the adoption of the Metric System of Weights and Measures and the introduction of a Decimal Coinage.

CHAPTER II.

The Position of British Trade and Industry in 1913.

13. The starting point for the consideration of the various questions remitted to us by our terms of reference is necessarily a survey of the general position of British industry and Overseas trade on the eve of the outbreak of war. We propose to summarise as briefly as possible in the present chapter the evidence on this subject supplied to us from the various sources indicated in paragraph 2 of Chapter I. In subsequent chapters we shall set out the conclusions which we have drawn from the more important facts disclosed in this evidence as to the need of State action in certain directions and the general principles by which such action should be guided.

14. The total value of the imports into the United Kingdom (exclusive of bullion and specie and of transhipments under bond) amounted in 1895 to 417 million £ and by 1913 had increased to 769 million £; the exports of the produce and manufactures of the United Kingdom, which were 232 million £ in the former year, had risen to 525 million £ in 1913, whilst re-exports had increased from 60 to 110 million £. The following summary table shows the averages for 3 quinquennial periods and for the 4 years 1910-1913 (the year 1913 being the last normal year):—

Annual Average.	Imports (exc. bullion and specie).	Exports of U.K. produce and manufacture (exc. bullion and specie).	Re-Exports.
	Mill. £.	Mill. £	Mill. £
1895-99	453	244	60
1900-1904	533	289	67
1905-1909	607	377	85
1910-1914	718	474	107

15. The proportion in value of the imports drawn from British Possessions has tended to increase in recent years, though the upward movement has not been rapid. The average for the quinquennial period 1900-1904 was 20·8 per cent., and for 1905-1909 22·9 per cent., whilst for the four years 1910-1913 it was 25·1 per cent. On the other hand the proportion in value of the exports of the produce and manufactures of the United Kingdom which went to British Possessions fluctuated considerably, the averages being:—

1900-1904 ... ... 37·0 per cent.
1905-1909 ... ... 33·3 „
and 1910-1913 ... ... 35·7 „

16. The share of present enemy countries in the foreign trade of the United Kingdom had for some time been fairly constant, and showed no tendency towards rapid increase. The imports from those countries constituted on the average for the years 1900-1904 11·2 per cent. of the total imports into the United Kingdom, for 1905-1909 the average was 11·3 per cent., and for 1909-1913 11·5 per cent. The exports to present enemy countries constituted 11·5 per cent. of our total exports of United Kingdom produce and manufactures on the average for 1900-1904, 12 per cent. for 1905-1909, and 11·2 per cent. for 1910-1913. The great bulk of this trade was with Germany, whose share in the total imports into the United Kingdom had gradually risen from an average of 8·8 per cent. for 1900-1904 to 9·7 per cent. for 1910-1913; her share in the exports of the produce and manufactures of the United Kingdom was on the average of 1900-1904 8·5 per cent., rose in the following quinquennium to 9 per cent., and fell to 8·3 per cent. for 1910-1913.

17. The next summary table shows the value of the *net* imports (that is, the imports retained for consumption in the United Kingdom) and the proportion thereof formed by goods classed in the Trade Accounts as wholly or partly manufactured, and also the extent to which the total

exports of produce and manufactures of the United Kingdom consist of goods wholly or partly manufactured :—

	Imports.		Exports of U.K. produce and manufactures.	
	Total *Net* Imports.	*Net* Imports of Manufactured and partly Manufactured goods.	Total.	Exports of Manufactured and partly Manufactured goods.
1895–9	393	94	244	206
1900–1904	466	113	289	231
1905–1909	522	124	377	303
1910–1914	611	167	474	383

18. The next table shows the actual increases in United Kingdom trade under each of the four headings given above and the corresponding increases for our three principal competitors, Germany, France and the United States of America.

	United Kingdom.	Germany.	France.	U.S.A.
	Increase in Million £ on average for 1910–13 over average for 1895–9.			
Net Imports for home consumption. ...	218	260	155	188
Imports of manufactured and partly manufactured goods.	72	48	37	81
Total Exports of domestic produce and manufactures.	230	244	115	221
Exports of manufactured and partly manufactured goods.	177	170	71	140

19. Having regard to the fact that the population of the United States of America is double that of the United Kingdom, whilst that of the German Empire is half as much again as our own, and also to the great differences between the three countries as to the supplies of raw materials of industry within their own boundaries, the comparative figures set out in the above table appear to us to bear remarkable testimony to the strength and vitality of British industry as a whole.

Moreover in any comparison with Germany and the United States it is reasonable that account should be taken of the British Empire as a whole, and not simply of the United Kingdom. Statistics for the Empire comparable to those given in the preceding table are not available, but there is no question that the same progressive movement which has been shown by the trade of the United Kingdom during the period under review has characterised the trade of the rest of the Empire. Taking the trade with foreign countries alone, the total imports into the British Empire as a whole rose from 527 million £ in 1900 to 845 million £ in 1913, whilst the total exports (including re-exports) rose from 362 million £ in 1900 to 712 million £ in 1913. During the same period, the total imports into the United Kingdom from other parts of the British Empire (exclusive of Egypt) rose from 130 million £ to 141 million £, whilst the total exports increased from 108 million £ to 232 million £. The trade between the various parts of the Empire other than the United Kingdom increased from 42 million £ to 79 million £.

Within the wide field of United Kingdom trade the conditions of the various industries are far from uniform, and their prospects are by no means identical and consequently a more detailed survey is necessary for the purposes which we have in view. In making that survey we have relied largely upon the reports of the Departmental Committees appointed by the Board of Trade.

The Coal Trade (Report of Departmental Committee).

20. The total export of coal (excluding coke and manufactured fuel) from the United Kingdom in 1913 amounted to 73·4 million tons, representing fully three-quarters of the total weight of our exports of all kinds ; and the quantities of coal, coke and manufactured fuel shipped aboard in that year amounted to about one-fourth of the total output of the United Kingdom ; and with the addition of the amounts shipped as bunker coal in foreign-going vessels to about one-third of the output. The value was nearly 54 million £ and represented over 10 per cent. of the value of the total exports of the produce and manufacture of the United Kingdom. Before the war, the British coal trade enjoyed a strong and in some cases an almost unchallenged position in Norway, Sweden, Denmark, Spain, Portugal, Italy and South America (the only market of importance outside Europe for United Kingdom coal) ; and it had by far the largest share of the coal import trade of France, where competition was encountered from Belgium and Germany, the latter country having a very large share in the substantial imports of coke in which the

United Kingdom did not compete. In Belgium German imports were predominant and were without competition in respect of coke, whilst they almost completely controlled the Dutch and Austro-Hungarian markets. Germany itself imported in 1913 over nine million tons of coal from the United Kingdom, this amount being a little less than the average for the previous four years.

21. During the war Sweden has been compelled to buy the greater part of her imported coal from Germany, which is believed to be laying the foundation of a large predominant trade there, and British exporters anticipate some difficulty in reasserting their position. Germany has also considerably increased her coal trade in Denmark, but it is believed that, though she may retain a certain amount of new business, it will not be difficult for the British trade to re-establish its predominance. In Italy there has been during the war a substantial import of coal from the United States of America to make good the falling off in supplies from the United Kingdom, and there has also been a considerable increase of United States exports to the Argentine, Chile and Brazil, but so far the United States exporters have done comparatively little to fill the gap caused in South America by the restriction of British supplies.

22. The Departmental Committee on the Coal Trade recommend that the policy of this country be directed towards maintaining, and, if possible, extending the export trade in coal, and that with this object all restrictions on the free export of coal imposed during the war, including the present system of export under licence, should be removed as soon as possible after the termination of hostilities. As regards the exports to Germany, and the possibility of replacing the supplies hitherto drawn from that country by our present Allies, the same Committee express the opinion that to refuse British coal to Germany would result in prejudice to special districts in this country which have relied in the past to a large extent on that market, and that so far as coal and coke are concerned the Allied countries upon the Continent will find it impracticable to make themselves independent of German supplies, in spite of any natural prejudices on the subject. The Departmental Committee also think it impossible to confine the distribution of British coal at foreign coaling stations to British and Allied hands, though they are of opinion that British coalowners and exporters might well consider the possibility of restricting the bunkering of foreign ships with British coal through German firms.

23. As positive suggestions the Departmental Committee recommend the release of colliery employees from the colours at the earliest possible date after the termination of hostilities; efforts to increase production by complete co-operation between employers and their workmen and by the introduction of the most modern appliances and by the removal of restrictions affecting output; greater co-operation amongst coal-owners, exporters and shippers for the development of the export trade; improvements in loading facilities at British ports; amendment of the law relating to surface support; and the creation of a statutory tribunal to enforce the granting of wayleaves where unreasonably withheld, and to consider applications for facilities for the erection of coke ovens and chemical works on land adjoining collieries.

The Iron and Steel Trades (Report of Departmental Committee).

24. The output of Iron Ore in the United Kingdom has for a number of years past been practically stationary; in 1913 it amounted to 16 million tons, as compared with a production of 36 million tons in Germany, and 60 million tons in the United States. The importation of Iron Ore into this country reached its pre-war maximum (7·8 million tons) in 1906; in 1913 it was 7·4 million tons; the importation into Germany was 7·5 million tons in 1906, and 13·8 million tons in 1913; the imports into the United States are insignificant on account of the vast native supplies. The production of Pig Iron in the United Kingdom in 1913 amounted to 10·3 million tons, a figure much higher than that of 1912, but only very slightly in excess of the output of the years 1906 and 1907. In 1913 the output of Pig Iron in Germany was 19 million tons, having risen from 12·1 million tons in 1906, whilst the United States production, which in the last-mentioned year was 25·3 million tons, had risen to 31 million tons in 1913.

25. The Steel production of the United Kingdom had also made comparatively little progress before the war; in 1912 and 1913 it advanced rapidly, but even so it had risen only from 6·5 million tons in 1906 to 7·7 million tons in 1913; whilst between the same years production increased in Germany from 11·1 to 18·7 million tons, and the United States from 23·4 to 31·3 million tons. The Exports of Iron and Steel and manufactures thereof (excluding machinery) from the United Kingdom were valued in 1906 at 40·7 million £, and in 1913 at 55·3 million £—an increase of 14·6 million £; between the same years the exports from Germany advanced from 28·5 to 54·5 million £ (a rise of 26 million £), and the United States exports from 15·5 to 32·6 million £ (a rise of 17·1 million £). Thus the exports from Germany had reached practically the same figure as those from the United Kingdom, whilst those from the United States, which did not become a serious competitor in the world's market until the beginning of the present century, had become by 1913 three-fifths of the United Kingdom export.

26. The relatively stationary condition of the British iron and steel industry in respect of production, and its declining position in the world's trade, are ascribed by the Departmental Committee on the iron and steel trades in part to the deficiency of the United Kingdom's natural resources of iron ore, but primarily to the more modern character, better organisation and greater efficiency of the German and American industries in respect alike of the acquisition and development of supplies of raw materials, of production and of distribution. The Committee remark that "the American and German iron and steel industries are of relatively recent growth, and have throughout been organised for large scale production, and small installations held and worked

by individual owners are comparatively unknown. The individualism of the British character has often led the iron and steel manufacturer to prefer to retain personal control over a small and relatively inefficient works rather than pool his brains and capital to the greater ultimate advantage of the industry. . . . The iron and steel manufacturers of Germany and America have developed their industries on an immense scale, aiming at the production of large quantities of uniform articles rather than at variety of output. Large units specially designed for cheap production have been laid down. On the other hand, expansion in the United Kingdom has generally meant the remodelling and extension of existing works." Further, the efficiency of the iron and steel plants of the United Kingdom is stated to be, as a result of several distinct factors, very far behind that of their American and German competitors—the production of small units being naturally less, the expenditure of labour greater, and the appliances frequently inadequate. Attention is called by the Iron and Steel Trades Committee to the fact that the production of pig-iron per blast-furnace per annum in the United Kingdom ranged in 1915 in England and Wales from 33,300 tons in the Lincolnshire and Leicestershire districts to 65,000 tons in South Wales, whilst in the United States in the same year the range was from 80,000 tons in Alabama to 135,900 tons in Illinois. Corresponding figures for Germany are not available for later than 1911, but in that year the range was from 45,700 tons in Lorraine and Luxemburg to 67,400 in Rhineland-Westphalia, and there is no doubt that these figures had been very considerably increased prior to the outbreak of war. Production in Germany and the United States is controlled by very powerful combinations—in the former country by the Stahlwerksverband, a combination primarily for selling purposes, but regulating certain classes of production and allocating orders amongst its constituent members so as to concentrate and specialise production so far as possible; whilst in the United States the United States Steel Corporation—an actual consolidation—controls an output of iron and steel greater than the whole output of the United Kingdom and co-operates with other powerful interests.

27. As regards distribution, there are in the United Kingdom numerous trade associations, but they are mostly small in membership, limited each to a narrow range of commodities, or to a single commodity, and concerned only with the regulation of prices. The German overseas marketing is in the hands of the Stahlwerksverband, which pursues a systematic policy as to the exploitation of overseas markets, whilst the American foreign trade in iron and steel is practically entirely carried on by the United States Steel Products Co., a subsidiary of the Steel Corporation. It is the existence of these highly developed distributing organisations which have made possible the systematic attacks on the British market, and the policy of "dumping," which was previously only occasionally adopted by both Germany and the United States, is widely believed to have been deliberately adopted by Germany from 1911 onward with a view so to crippling the iron and steel industry of this country as to outclass her in a war of material. The Departmental Committee are of opinion that the instability of the British iron and steel industries, resulting from this and the other conditions which have been summarised, had resulted prior to the war in their becoming very seriously discredited as a field for the investment of capital.

28. The Iron and Steel Trades Committee recommend (1) that an organisation be formed by users of iron ore and others interested to undertake the import and distribution of foreign ores in Great Britain, and acquire interests in ore properties abroad, and that such organisations should receive Government financial assistance, if necessary; (2) that the British iron and steel manufacturers should be urged to form combinations for the purpose of laying down large and well-designed new units for cheap production upon modern lines, and should, if necessary, receive financial aid for that purpose from the Government, especially in view of the high cost of laying down large plant to-day, and (3) that a national selling organisation should be formed in order to market British iron and steel products in an efficient and economical manner, and for this purpose to undertake the distribution of orders so as to reduce the cost of production to the lowest limit by keeping individual works running as long as possible on standard products.

29. The majority of the Departmental Committee are of opinion that the capital necessary for the reorganisation and extension of the British Iron and Steel industry will only be forthcoming if there is some security for a reasonable return upon it, and for this purpose they recommend (*a*) anti-dumping legislation; (*b*) the imposition of Customs duties upon all imported Iron and Steel and manufactures thereof; (*c*) for this latter purpose maximum, general, and minimum rates of duty to be imposed which shall be readily variable according to the changing demands of national policy; (*d*) that every endeavour should be made to co-ordinate the economic policy of the United Kingdom with that of the Dominions and of the Empire generally; (*e*) that all Iron and Steel imported into the United Kingdom should bear clearly and indelibly a readily recognisable indication of origin.

30. Of the imports of Iron Ore (other than manganiferous and manganese ores) into the United Kingdom in 1913, amounting to 7·2 million tons, less than 2 per cent. was derived from British Possessions. France, Algeria and Tunis furnished 1·4 million tons, Spain 4·5 millions, and Sweden and Norway 0·9 million tons. Manganiferous Ore came almost entirely from Spain (188,000 tons), whilst of Manganese Ore British India contributed more than one-half, the bulk of the remainder coming from Brazil. The Iron and Steel Trades Committee recommend that alien interests should not be allowed to acquire Iron Ore deposits of the British Empire (the Wabana deposits in Newfoundland are of great magnitude and importance), and that an adequate survey of the natural resources of Great Britain and the Empire generally should be undertaken.

31. Amongst other recommendations the Departmental Committee suggest that all purchases of Iron or Steel made by or for the Government, public bodies and Railway companies within the United Kingdom should be of British manufacture; that the raising of capital in the United Kingdom for undertakings abroad should be conditional upon the purchase of as much of the material required as possible in this country; that improvements should be made in the machinery for the investigation and fixing of railway rates and measures taken against unfair shipping preferences; that the development of the canal system of the United Kingdom should be undertaken as soon as possible; that better provision be made for dealing with questions of wayleaves; that increased depreciation allowances be made for income tax purposes; and that there should be an extensive reorganisation of the Government system of commercial intelligence. The Departmental Committee also make a number of recommendations as to education and apprenticeship.

The Engineering Trades (Report of Departmental Committee).

32. The value of the engineering products exported from this country was in 1903 29·3 million £, and in 1913 59·2 million £. Unfortunately there are no data later than those of the Census of Production of 1907 as to the total engineering output of this country, nor any comprehensive information as to the power available in works, nor any valuation of machinery in a collective form.

33. The foreign competition encountered in the home and foreign markets comes practically from only four countries—the United States, Germany, Belgium and France; and except in respect of motor cars and parts thereof, in which the French and Belgium competition is very keen, the foreign competition experienced by the British Engineering trade in the home market was practically only from Germany and the United States. Importations into the United Kingdom from Germany amounted in value in 1913 to 4·2 million £ (of which 3·9 millions were retained for home consumption) and was distributed over practically all classes of engineering products, the largest individual items being electrical machinery and scientific instruments. On the other hand, the exports of engineering products from the United Kingdom to Germany in the same year were valued at 2·5 million £, and the Departmental Committee on Engineering Trades remark that they are not impressed with the seriousness of the German competition in the United Kingdom market, though there seems to be little doubt that much of the German sales here have been made possible by the goods being offered at prices not fully remunerative, this being facilitated by the operation of the German Kartells, which could by a system of rebates provide subsidies to encourage foreign trade.

34. As regards the United States, the engineering imports into this country in 1913 amounted to 6·8 million £ (4·9 million £ for home consumption). Motor cars and parts thereof accounted for about one-fifth of the total imports, the next largest items being scientific apparatus, agricultural machinery, typewriters, electrical machinery and machine tools. Our engineering exports to the United States amounted to only £900,000. Two-thirds of the imports from France (which amounted to 2·9 million £) consisted of motor cars and parts thereof, whilst more than one-half of the imports from Belgium (1·2 million £ in all) consisted of similar commodities.

35. The Departmental Committee point out that in the overseas trade British manufacturers do not enjoy any preference in India, where competition is almost as fierce as in extra-Imperial markets; in the case of Canada the preferential treatment accorded to British goods, although of considerable value in certain instances, is not in itself sufficient in most articles to enable the British manufacturer to overcome the disadvantage under which he labours as compared with his United States competitors; and in Australia, New Zealand and South Africa the preference conceded to British Engineering products is in most cases only small, and Germany and the United States compete with this country with a substantial measure of success. In Russia, Italy, France and Roumania, German engineering imports were predominant before the war; and as regards other representative markets it is pointed out that in Brazil we were surpassed by the United States and Germany, whilst Belgium was an active competitor. In Chile Germany had the first place, and there was also active competition from the United States, and in China Germany's sales were double our own.

36. The Departmental Committee ascribe the success of German competition to the operations of the Kartells and their rebate system, the low railway rates for export and low freight rates, the intelligent assistance of German official representatives abroad, a liberal system of credit, cheapness of manufacture on a large and standardised scale, a businesslike method of selling and adjusting goods to the needs of customers, the advantages of liberal specialised education; and they add that "all these methods should be well within the compass of the British manufacturer."

37. On the question of the relative efficiency of British and foreign works, the Departmental Committee state that they have been much impressed by the very large number of relatively small firms that exist in the British industry, each with a separate organisation, separate establishment charges, separate buying and selling arrangements, and each producing a multiplicity of articles. A system of exclusiveness and aloofness marked the engineering trade before the war; many firms were employed in the production of a large variety of articles in common use and no two manufacturers aimed at producing precisely the same article, each claiming some special merit for his own. In Germany and the United States manufacturers work in as large units as possible; the number of patterns produced in each works is strictly limited; there is much specialisation and repetition work. Whilst the United Kingdom can point to many works of the highest class with the most modern equipments for work at the highest efficiency, there is no doubt

that many of our older works are manufacturing at costs which could be greatly reduced if the works as a whole were on a larger scale, better planned and equipped, and consequently capable of being worked in the most efficient and economical manner. Germany, on the other hand, coming late into the field, started on a large scale with all modern improvements; and in the United States an energetic policy has been adopted throughout of scrapping old works in favour of a total reconstruction on the most modern lines.

38. The Engineering Trades Committee point out that there is no question that before the war the engineering plant in this country was excessive in relation to the total work that was produced from it, and that in the future it will be all important that production should be maintained at its maximum. This will require the full co-operation of employers and employed, and would afford to the latter the best guarantee for the securing and maintenance of high wages.

39. The Departmental Committee point out that to a country which depends for its export trade entirely upon sea-borne traffic the question of freights is of great importance. In their opinion this country has been somewhat handicapped in the past by the methods adopted by the shipping lines. The existence of shipping conferences involving the great lines of the World—British, German and French—has had the effect of nominally eliminating competition between those lines, by establishing theoretically equal rates of freight, but in practice the British manufacturer is at a disadvantage. The Departmental Committee state that it cannot be assumed that British manufacturers have anything like free competition in ocean freights; the big lines seemed to be banded together in common agreement, and their rates of charges, unlike those of the railways, are not controlled by any statute. The Departmental Committee are of opinion that after the war there should be some restriction as to the right of British owners, for some time at least, to enter into working agreements with present enemies. They accordingly recommend that all agreements arrived at by conferences to which British shipping owners are parties should be filed with the Board of Trade, and that a British manufacturer should be able to claim from shipowners using British and foreign ports on the same voyage, or being members of any shipping conference, that his goods should be treated as favourably in respect of rates as are goods placed on board at foreign North Sea or Channel ports under equal conditions.

40. In the matter of fiscal policy the same Committee recommend anti-dumping legislation on the lines adopted in the United States, but they make no other positive recommendation as to the tariff treatment of the industry, though they state that a majority of their number consider that import duties are necessary and that the financial needs of the country after the war will compel the imposition of customs duties for revenue purposes, and automatically bring about the system of trade protection which they believe to be necessary.

41. The Departmental Committee unanimously recommend that it should be the recognised duty of Government Departments, Municipalities and Corporations to purchase as far as possible only goods of British origin. Raw materials should be admitted free. All goods of foreign origin should be clearly and indelibly marked with the words "Not British." India and the Dominions should be invited to concede an effective preference to the goods of the British Empire.

42. In respect of trade organisation the Departmental Committee recommend that engineering manufacturers should be encouraged to work together in larger units either by amalgamation or by joint working or by pooling of resources, by specialising in production and by organisation for export sales and for the purchase of raw materials, and that the terms of all trade combinations, whether of employers or employed, should be registered at a Government Department.

43. The Departmental Committee recommend that, before a quotation on the London Stock Exchange is granted to any foreign issue, regard shall be had by the Committee of the Stock Exchange as to whether in proper cases due provision is made for spending a suitable proportion of all money raised in this country in the purchase from British manufacturers of any goods required.

44. Other recommendations relate to increased allowances for depreciation for income tax purposes, it being contended that the limitations hitherto in force in this respect have tended to discourage the introduction of improved machinery; the wider practice of the standardization of products; amendment of the Patent and Trade Mark Laws; improvements in the Government Commercial Intelligence Service; the development of technical education and education generally; the revival of apprenticeship and the improvement of the relations between employers and employed in respect of the fixing of wages and the restriction of output.

Shipbuilding and Marine Engineering (Report of Departmental Committee).

45. The annual output of the Shipbuilding and Marine Engineering industries before the war (exclusive of the Admiralty dockyards) exceeded a gross selling value of 50 million £. About 20 per cent. of the output of new vessels in normal years was for foreign orders. The Departmental Committee on Shipping and Shipbuilding point out that there are few important industries where the predominance of British manufactures has been more marked than in Shipbuilding and Marine Engineering. Though during the last 20 years the British output shows a decline in proportion to the world's output, the normal production of British shipbuilding yards was before the war greater than that of all foreign shipyards put together. During the last 10 years the proportion to the world's output has been fairly constant at about 61 per cent.

46. Competition between British and foreign shipbuilders for foreign orders has only become markedly keen in recent years; the export trade to Germany had become practically

extinct before the War, and German competition in other markets was being felt. The supply to Japan also was greatly diminished: but in the case of Italy, where there has been a large increase in production, substantial orders are still received in this country. Holland, Norway, Sweden, Russia and Greece have been, and up to the outbreak of war were still, good customers. The Departmental Committee anticipate that competition from many foreign countries (notably the United States, Italy, Holland, Scandinavia and Russia) will be materially increased after the war, which has shown foreign nations the advantages of a national mercantile marine and the value of encouraging national shipbuilding industries. Large new plant has been put down and the experience which has been obtained by foreign countries during the war is likely to enable them to compete more nearly on even terms with British shipbuilders. The Committee are, however, of opinion that this prospect need cause no anxiety, provided British shipbuilders and marine engineers retain their energy and enterprise and take steps to bring the efficiency of their works and their employees to the highest possible pitch.

47. The Departmental Committee direct attention to the fact that of the supply of steel forgings delivered to shipbuilders and marine engineers in 1912–13 some 43 per cent. was foreign, the greater part being German; for mercantile tonnage the foreign percentage was as high as 60 per cent. Of steel castings about one quarter of the supplies came from abroad—from Germany and Austria; and a smaller proportion of miscellaneous steel forgings for marine engineering and of plates and sections was also supplied from abroad. The main reason for this foreign importation was that prices were on the whole lower, and in most cases considerably lower, than those asked by British manufacturers. The Departmental Committee are satisfied that those prices were in many cases actually "dumped" prices, and express the opinion that in the case of rough machined forgings and finished crank shafts the dumping was governed by political considerations, the object being to cripple the British forge masters with a view to reducing the potential output of guns and other war materials. The Departmental Committee accordingly recommend that an attempt should be made to stop dumping by means of legislation on lines similar to that in force in the United States and Canada. As regards further tariff legislation they point out that protection cannot be effectively extended to Shipbuilding or Marine Engineering, and that it is essential not only for the prosperity of these trades, but also for shipowning, that they should be able to buy their iron and steel materials as cheaply as their foreign competitors.

48. In respect of the organisation of industry they favour greater co-ordination of output among shipbuilders and marine engineers, and the promotion of progressive standardization in all directions. They also recommend increased allowances for depreciation; improvements in the Consular Service; the promotion of Industrial Research; and widespread and far-reaching changes in respect of primary and secondary education and apprenticeship.

The Electrical Trades (Report of Departmental Committee).

49. The Departmental Committee on the Electrical Trades estimate the value of the output of Electrical products (plant, mains and appliances) in the United Kingdom before the war at 22·5 million £, and the exports at 7·5 million £. The corresponding German production is estimated by them at 60 million £, and the export at 15 million £. Of the British production a large proportion was the output of concerns under foreign control. The imports into the United Kingdom were approximately 3 million £ and into Germany only £600,000.

50. The manufacturing of Electrical machinery and apparatus in Great Britain is stated to have been as a whole far from prosperous, the most notable exception being cable-making. The relative lack of progress of the British industry has been due in the opinion of the Departmental Committee in part to ill-considered legislation and in part to the fact that on the Continent the introduction of the use of electricity coincided with the advance in manufacturing industries, with consequently every inducement to employ the new agent as it did not involve the scrapping of power plant still in good condition, whilst the United Kingdom, on the other hand, had attained great prosperity and technical efficiency in the use of steam plant, and there was therefore less inducement for manufacturers to adopt electric power.

Other causes of the progress made by the German industry are in the opinion of the Departmental Committee the shelter afforded by the German protective tariff; the strong diplomatic support given by the German Government in respect of overseas trade; the close relation between German finance and manufacture; and the policy of amalgamation and association which has been pursued in the German electrical industry. In contrast with this policy combination has made little progress in the United Kingdom; numbers of small concerns have arisen each struggling against the other, with resultant high costs of production and general economic waste.

51. The Departmental Committee recommend a thorough reform of the legislation and regulations in force in the United Kingdom as to the generation and distribution of electricity in this country and the promotion and operation of tramways and light railways in this country, a matter which we understand is being considered by a special Committee appointed by the Board of Trade. They also favour the prohibition of the importation of enemy goods for a period of three years after the war except in certain cases, the prevention of the sale in the United Kingdom of any imported electrical goods at prices lower than those current in the country of origin, and the imposition of import duties sufficiently high to protect efficiently the electrical industry. They further recommend the exclusive acceptance of British tenders by State Departments, public bodies and companies supplying electrical energy under statutory powers. As regards trade organisation the Departmental Committee advocate the recognition of the advantage of combination among manufacturers, and official co-operation with such action.

52. The Departmental Committee state that a better understanding between employers and employed is essential if the country is to take advantage of the business which will undoubtedly be forthcoming after the war. The Committee, from their own knowledge and from the evidence given, desire to emphasise the loss that has occurred from unsatisfactory and ill-regulated working conditions, from arbitrary restrictions of output, and from opposition to the use of labour-saving machinery, resulting in a serious diminution of production. There must in the future be more harmony and sympathy between employers and employed, a general improvement in the working conditions of the factories, and better provision for housing.

53. Other recommendations relate to standardization; the prohibition of transport discriminations operating to the detriment of British manufacturers; the provision of extended banking facilities; and the supervision and restriction of any revival of present enemy interests in the electrical industries of the United Kingdom.

Non-Ferrous Metals (Report of Departmental Committee).

54. Though the position in respect of the non-ferrous metal industries before the war varied with the different metals there were certain common features—particularly the limited extent of the production and refining of the metals in the United Kingdom and the control exercised by foreign interests even where the sources of the supply of the requisite ores were largely in the British Empire or owned by British companies. Thus in the case of *Spelter* the United Kingdom consumption was about 200,000 tons per annum, but the production in this country from both native and imported ores was only between 50,000 and 60,000 tons—this in spite of the fact that very large supplies of ore were obtainable from within the Empire, in Australia. Our foreign supplies of Spelter were derived chiefly from Germany and Belgium, which made use to a very large extent of Australian ores, the output of which was controlled almost entirely by German interests by means of long period contracts with the Australian producers. The Spelter trade of the world was in fact controlled by a powerful German company operating through a series of allied or subsidiary companies for production and marketing in a large number of countries, including the United Kingdom and Australia, and co-operating with other German metal interests.

55. In the case of *Lead* the consumption of the United Kingdom was estimated at approximately 190,000 tons a year, and of this the domestic production from native ores may be put at about 15,500 tons, and from imported ores at about 15,000 tons. The main sources of supply of lead ores are Spain, America and Australia, and the chief countries whence pig and sheet lead were imported into the United Kingdom were Spain and the United States. The world's trade in lead was dominated prior to the war by Germany, by means of the Lead Convention, which included all the leading producers of the world, and was promoted by the same German concern as controlled the spelter trade, and had the marketing of lead very largely in its hands.

56. Of *Copper* the amount produced in the United Kingdom from native ore was insignificant; the amount produced from imported ores, cupreous pyrites and regulus was about 45,000 tons a year, out of a total annual consumption of about 140,000 tons. The supplies of copper ores, etc., were derived from a number of sources, Chile, Australia, Venezuela, Mexico, South Africa and Spain being the most important, while much the larger part of the refined copper came from the United States, which dominates entirely the copper refining industry of the world.

57. *Nickel*, a metal of great importance for munitions purposes, was obtained mainly from the United States, which refined nickel matte obtained from Canada, by far the most important source of the world's supply of nickel ore. The trade in nickel was almost entirely controlled by the German metal company already mentioned.

58. The United Kingdom production of *Tin* from native ores was about 5,000 tons, and about 17,000 tons were produced from imported ores, chiefly obtained from Bolivia. The imports of metallic tin, which came almost entirely from the Straits Settlements, were about 46,000 tons of which some 30,000 tons were re-exported together with 11,500 tons of the tin produced in this country. The estimated consumption in the United Kingdom was about 24,500 tons, chiefly for the manufacture of tin plates. The British Empire produced before the war some three-fifths of the world's total output of tin and occupied a very strong position in respect of smelting, owing especially to the large extent to which that industry is carried on in the Straits Settlements. During the war, however, there has been a marked development of tin smelting in the United States, the country which is the largest consumer of the metal; and in view of this and the German demand, it is probable that the United Kingdom smelters may have to encounter severe competition after the war for ore from Bolivia, on which they have hitherto mainly relied.

59. In the case of *Aluminium* the production in this country was about 7,500 tons per annum, produced from French bauxite. The domestic consumption of Aluminium was about 5,000 tons, but the use of this metal for manufacturing purposes is comparatively recent and is rapidly expanding. The most important factors in the situation as regards this metal are the enormous extensions made in the bauxite reduction plant of the United States; the dependence of the United Kingdom in the present state of metallurgical knowledge on French bauxite; and the fact that cheap water power is an essential in the production of aluminium.

60. His Majesty's Government have already taken action with a view to the development of the spelter refining industry in the United Kingdom and Australia, and for the promotion of nickel-refining under entirely British control in Canada. As regards copper the Non-Ferrous Metal Trades Committee recommend Government financial assistance for the development of copper

refining in the United Kingdom, with a view to guarding against the recurrence of difficulties experienced during the war, and they formulate proposals for Government action in regard to the securing of the supplies of lead and the promotion of the production of aluminium, with a protective tariff on all refined lead and manufactures of lead, and reductions thereon in respect of the imports from allied countries and free importation from the British Empire. The Departmental Committee further attach great importance to the prevention of the re-establishment of German control of the non-ferrous metal markets after the war, and, in particular, for this purpose, to the establishment of a strong non-ferrous metal combination in the United Kingdom and British Empire, co-operating with similar combinations in the allied countries. They also emphasise the necessity for state-aided co-operative research, a matter which is already receiving the close attention of the Department of Scientific and Industrial Research, and for a comprehensive scheme for the collection of data as to the metal demands of the Empire and the extent to which they can be met from Imperial resources, and for the co-ordination and systematic extension of the mineral surveys of the Empire.

The Textile Trades (Report of Departmental Committee).

61. (a) *Cotton.*—The Cotton industry is essentially an export industry, and is mainly dependent upon foreign trade for its prosperity. In 1913 the value of the total exports of cotton textiles exceeded 127 million £, and constituted about 31 per cent. of the total exports of wholly or mainly manufactured goods from the United Kingdom. It is estimated that of the whole United Kingdom production of cotton yarns about 15 per cent. was exported, and of piece goods nearly 80 per cent.

62. Of the yarns exported in 1913 about one-third was taken by Germany, almost entirely in fine counts. The principal markets for cotton piece goods were British India (36 per cent.), China (12 per cent.), the Continent and the United States of America (a little over 10 per cent.), and Central and South America (about 10 per cent.). Rather more than half of the total exports of piece goods went to British Possessions.

63. Foreign competition in the Home and Colonial trades before the war was mainly in made-up goods, particularly lace, hosiery, and certain classes of dyed and printed goods, chiefly imported from Germany. This competition, except in hosiery and lace, to which reference will be made later, was not serious in relation to the total value of the trade, though it has shown some tendency to grow in recent years. The Textile Trades Committee state that "all the evidence we have received tends to prove that the strength of the British cotton trade, both in yarns and cloth, in the competitive markets of the world, is practically unimpaired, although considerable changes are taking place in the character of the trade. In the great open markets of the East and South America which absorb more than 70 per cent. of the export trade, British goods before the war were on the whole maintaining their position. It should be noted, however, that very severe competition is threatened from Japan in Eastern markets, and considerable Italian competition is experienced in certain South American markets, notably the Argentine Republic."

64. Of the world's production of raw Cotton in 1912–13 (an average pre-war season)—apart from that of China which does not enter into consumption elsewhere—about 64 per cent. was drawn from the United States, about 20 per cent. from India, rather less than 7 per cent. from Egypt, and the remainder from a number of countries. The Departmental Committee record their opinion that there is already a deficiency in the supplies, as compared with the possible consumption; that this deficiency is likely to increase in the immediate future; and that it is eminently unsatisfactory that one of the principal industries of the United Kingdom should be so largely dependent as it is upon one source of supply (the United States) entirely beyond its control. The cotton grown in Egypt and the West Indies is of a special character which cannot at present be produced on a large scale elsewhere, and our control of these supplies, which are peculiarly suited to the spinning of fine counts, is of great importance in view of the tendency in the United Kingdom towards the spinning of finer counts. It is believed that cotton suitable for this class of production can also be grown under exceptionally favourable conditions in some of the African Colonies and Protectorates. It is also believed that for other classes of cotton India offers the most promising prospects of any considerable increase of output within a reasonable time. The Textiles Committee accordingly recommend that every possible effort should be made to secure a more extended growth of cotton within the Empire, particularly in India, Egypt and the Soudan.

65. The Departmental Committee report that the Cotton industry as represented by a majority of employers does not desire a tariff for its own protection, nor does it favour the imposition of a general tariff owing to the fear that, if the effect of a tariff were to raise the cost of production, efficiency in competition would to that extent be handicapped.

66. (b) *The Woollen and Worsted Industry.*—This branch of the British textile trades had reached an unprecedently high level in the years before the War, and the exports amounted in 1913 to 38 million £ or about half of the estimated gross output of the industry. Of the export of combed wool (tops) in 1913, one-third went to Germany, the next largest market being Japan. Of the export of yarns, valued at 8 million £ in 1913, two-thirds were taken by present enemy states, the export to Germany alone amounting to 5 million £. A considerable proportion of the yarn exported to Germany was subsequently returned to this country in the form of manufactured goods. As regards piece goods, Continental markets took about 37 per cent., the British Empire 33 per cent., South America about 15 per cent., and the Far East (Japan and China) about 8 per cent. A substantial amount of yarns was imported chiefly from Allied countries, being generally of a different

type f om those spun in this country. Imports of piece goods were valued in 1913 at about 5·3 million £, of which over two-thirds came from Allied countries. They consisted chiefly in special classes of goods, those from Allied countries being mainly dress goods, though the Textiles Committee report that there is evidence that even in regard to these the position was gradually improving before the War. The competition of native industries fostered by tariffs is encountered in most European countries, in the United States, and latterly in Japan; and there is a certain amount of competition, in almost all foreign markets, from France in fine dress goods, cashmeres, &c., from Germany in cheap suitings, linings, velvets and low quality articles, from Austria in face cloths and velours, whilst in South America there is some competition from Spain and Italy in certain lines.

67. The world's production of wool in 1915 is estimated at 2,800 million pounds—of which 1,074 million were Merino, 1,022 million were Crossbred, and 700 million Low Wool. Of the Merino Clip 63 per cent. was produced within the British Empire, 10 per cent. in France, Russia and Italy, and 16 per cent. in North America; on the other hand, of Cross-bred Wool the British Empire produced only 10 per cent., whilst South America's share (mainly in the Argentine) was 32 per cent., and North America's 12 per cent. Of Low Wool Russia produced 40 per cent., and the British Empire's share was only 9 per cent. The domestic clips of the United States and most European countries are almost entirely consumed in the home markets, and practically the only exporting markets are those comprised within the British Empire and South America. Of the world's production for export of wools for clothing purposes (merino and cross-bred), it has been estimated that the British Empire contributed for the season 1916–17 some 68 per cent. and South America 32 per cent., whilst in the fine quality merino wools the proportions were 85 per cent. and 15 per cent. respectively. Of the British Empire production of merino wool in 1913, 23 per cent. was taken by the United Kingdom and 33 per cent. by Germany and Austria. On the other hand 65 per cent. of the British Empire production of cross-bred wool was taken by the United Kingdom and only 12 per cent. by Germany and Austria. Of the total South American exports only 17 per cent. went to the United Kingdom, whilst Germany and Austria took fully one-third. The Textiles Committee anticipate that for a time after the War there will be a serious shortage of the finer wools for clothing purposes, particularly of merinos, in view of the increased demand in the United States and the urgent requirements of Germany and Austria, and they recommend action with a view to the conservation of wool supplies within the British Empire for our own and Allied needs.

68. The Textiles Committee report that there are differences of opinion in the Trade with regard to the policy of imposing duties upon foreign imports of woollen and worsted goods for men's wear. The finer fabrics of this class easily hold their own in the home and Colonial markets, but their sale is much restricted in foreign markets by adverse tariffs, and has in the past been liable to violent fluctuations owing to tariff changes. In women's dress goods serious competition is encountered in all markets from France, Germany and Austria both in the fabrics themselves and in the yarns from which they are woven. Witnesses suggest that in order to stimulate the production of these goods in this country assistance might be given in the form of a small duty on imported yarns and a higher duty on piece goods. Opinion, however, even in the dress goods trade, is not unanimous.

69. A special branch of the woollen industry is *Carpet* manufacturing, the total output being estimated at about 4·5 million £ a year, of which about one-third is for export—the larger part of this being to the British Empire. The only effective competition experienced before the war was from France and Belgium, and though certain German products were sold at very low prices they were of qualities inferior to those produced in this country.

70. It is stated that the principal difficulty with which British manufacturers had to contend was the occasional "dumping" of foreign-made carpets. Combined Carpet Associations, representing over 75 per cent. of the carpet manufacturers of the United Kingdom, have declared in favour of a protective tariff with reductions in favour of the British Possessions and Allied countries and a surtax on the products of present enemy countries.

71. (c) *Silk.*—The value of the silk goods exported from the United Kingdom in 1913 was a little over two million £, of which two-thirds went to foreign countries, the United States being our best market for spun silk yarns, and France our chief customer for piece goods and other manufactures. The imports of silk manufactures and manufactures of silk mixed with other materials, silk predominating, amounted in 1913 to about 14 million £, supplying some 80 per cent. of the home consumption. The manufactured goods may be divided into high grade plain and figured dress goods, ribbons and laces and other high quality silks mainly imported from France; certain plain and figured goods of low price imported principally from Germany, Switzerland and Italy; and Eastern piece goods. In regard to the first class the United Kingdom manufacturers can hardly be regarded as serious competitors, the French trade being helped greatly by the reputation of Paris fashions. The second class of piece goods is that in which competition is most severely felt by British manufacturers, the position of foreign imports being largely due to low prices, and in this connection the Textile Trades Committee point out that Germany has derived great advantage in competition from its very successful methods of adulterating or weighting silk, with resultant loss of durability, which, however, does not offset in the minds of United Kingdom buyers the attraction of cheapness. It is stated by the Textiles Committee that the silk industries of Germany, Switzerland and Italy are able to "dump" surplus goods into the United Kingdom, whilst the British industry, being of a very limited order, is confined in the main to specialities, and cannot, in the opinion of the witnesses who appeared before the Committee, become a large scale industry, unless it has protection in the home market.

72. The world's supplies of Raw Silk and Silk Waste are drawn chiefly from China, Japan, and Italy; the principal countries of consumption are the United States, France, and Germany for Raw Silk, whilst Switzerland, France, Italy, and the United Kingdom and the United States took practically the whole of the world's exportable output of Silk Waste. The United Kingdom obtains its supplies as to some 60 per cent. from China, and although the supply of raw silk and silk waste has hitherto kept pace with the continually increasing world's consumption, the Textiles Committee are of opinion that, in view of the dependence of the United Kingdom upon foreign countries, and the importance of waste silk for military purposes, efforts should be made to develop sericulture in India and other parts of the Empire where conditions are favourable.

73. The Departmental Committee point out that the Silk industry occupies a peculiar position, inasmuch as it represents the high water mark of technical attainment and skill among Textile industries. It would be difficult to maintain the highest standard of technical training, knowledge, and skill in the Textile trades in the absence of a flourishing silk industry in this country. On this ground alone the United Kingdom, with its great and prosperous Textile industries, should endeavour to maintain a flourishing silk industry. The Committee state that the general opinion of the trade is in favour of a substantial protective tariff, with reductions in respect of Allied countries and a surtax on goods from present enemy countries, and free importation for goods coming from any part of the British Empire.

74. (d) *Linen.*—The value of the total output of the linen industry is estimated at about 15 million £ per annum, of which about 9½ millions are exported. Considerably more than one-third of these exports go to the United States of America, and the other principal markets are Canada, Australia, the Argentine Republic, Cuba, Brazil and British India. The value of the imports of linen goods into the United Kingdom amounted in 1913 to over two million £, of which about one-half was represented by yarns from Belgium, France and Austria. Belgium was the principal competitor in the British market in piece goods. Very little competition is experienced from foreign countries in markets abroad, though there was before the war a certain amount in the United States from Germany and Austria, and in South America from Spain and Italy. The Textiles Committee state that, viewing the industry as a whole, foreign competition has had very little effect in the home market, and the chief difficulties of the British industry have been due to over-production resulting from internal competition, and it appears desirable that all sections of the trade should recognise the advantage to be derived from common action to meet foreign competition after the war.

75. The world's production of Flax is almost entirely in Allied countries, Russia being by far the most important source of supply, furnishing some four-fifths of the total production for manufacturing purposes, which is estimated at some 500,000 tons. France and Belgium produce some 50,000 tons, Germany and Austria about 30,000 tons, and Ireland 10,000 tons. Irish flax is about midway in quality between Courtrai flax (*i.e.*, Belgian and French flax retted at Courtrai) and Russian flax. Of the total production for manufacturing purposes Belgium and Germany (with Austria) took before the War about one-quarter each, whilst the United Kingdom took one-fifth. Of the United Kingdom's supplies some three-quarters were obtained from Russia. The Textiles Committee anticipate a period of some scarcity after the War, and recommend that steps should be taken to conserve Allied supplies for Allied use, and they also suggest Government action to stimulate the production of flax in Ireland, and elsewhere in the Empire where conditions are favourable.

76. The Departmental Committee add that the prevailing feeling in the linen industry is in favour of a graduated scale of duties on manufactured goods, distinctions being made between allies, neutrals, and enemy countries; in the case of flax yarns opinions are more divided, though there is considerable feeling in favour of very moderate duties accompanied by anti-dumping legislation.

77. (e) *Jute.*—The value of the exports of jute yarns in 1913 was £781,000, of piece goods and other manufactures of jute 3·3 million £, and of bags and sacks something over one million £. It is estimated that immediately before the War the United Kingdom exported 40 per cent. of its jute manufactures, and retained 60 per cent. for home consumption. There was a small importation of certain special yarns from France and Belgium, and a very limited competition in jute manufactures from foreign countries. The main competition in jute manufactures (including bags and sacks) is from India, from which we imported to the value of 2·4 million £ in 1913. It is anticipated that Indian competition is likely to become increasingly more severe owing to the lower cost of production in that country; the cheapness of the class of goods known as Calcutta Hessians is driving the superior British made article out of the market, and the Dundee trade is being forced into specialities such as linoleum cloths and high grade manufactures in which Calcutta has hitherto been unable to compete. India is also our chief competitor in the United States, South America and throughout the British Empire.

78. British India has at present a monopoly of the production of jute, and so far efforts to encourage its production elsewhere have not met with success. The output in 1913–14 was approximately two million tons, of which rather more than one-half was consumed in India itself, and the United Kingdom took 300,000 tons. Germany and Austria's share amounted to 220,000 tons; and as their supplies have been cut off and stocks exhausted during the war, there will no doubt be a large demand from those countries after the conclusion of hostilities. Whilst in the opinion of the Textiles Committee an improvement of the methods of cultivation in India is desirable, most importance is attached to the adoption of some measures for safeguarding the supplies for British and allied needs.

79. The Textiles Committee report that the jute industry does not ask for any protection other than the imposition of an export duty on shipments of raw jute from India to all destinations with a total rebate of the duty in favour of the British Empire, total or graduated rebates in favour of its Allies and graduated rebates in favour of such Neutral Countries as may offer reciprocal concessions.

80. (f) *Lace and Embroidery Trades.*—The exports of British lace of cotton or silk in 1913 amounted to 4·1 million £, the chief markets being the United States and British Possessions, whilst there was a substantial Continental trade, the exports consisting chiefly of Nottingham lace of the cheaper kinds. The import on the other hand amounted in 1913 to 2·7 million £, and came almost entirely from France and Germany. The Textiles Committee report that competition in the home market is very severe; the French competition is largely in respect of classes of goods manufactured in the United Kingdom, and is said to be successful owing to lower prices in some instances, and in the case of silk laces to their excellence of quality. German competition is in classes of goods, *e.g.*, Plauen Laces and Barmen Trimmings, which have displaced fancy articles of British manufacture, mainly through greater variety and more frequent changes of style and design. There is stated to have been also a considerable amount of "dumping." The competition encountered in foreign markets is of a similar character, and comes principally from Germany, France and Switzerland. In the case of embroidery competition is almost entirely from Switzerland, from which country in 1913 the imports were 2·5 million £; its success is due to much the same causes as that of Germany in respect of lace. The Textiles Committee report that the opinion in the lace trade is generally to the effect that protection against German competition is necessary if the efforts which are being made to develop the lace industry in this country on lines similar to those adopted in Germany are to be successful.

81. (g) *Hosiery and Fabric Gloves.*—The total exports of cotton hosiery in 1913 were valued at £671,000, of which nearly three-quarters went to Colonial markets. The imports of cotton hosiery were valued on the other hand at 2·3 million £, of which practically the whole came from Germany, whose total export trade in that year amounted to 7·7 million £. The position of Germany in the world's trade in these goods was due partly to the possession of a special process for dyeing cotton hosiery and partly to the organisation of production in such a manner as to allocate whole factories to the manufacture of a single article, with the result that the prices became such that British manufacturers producing on a small scale found competition impossible. A striking fact in regard to this trade is that during the war the importation of cotton hosiery from Germany has been replaced by imports from the United States and from Japan of even greater magnitude.

82. The cotton fabric glove industry had also fallen almost entirely into German hands, British goods being beaten both in price and quality. The imports into the United Kingdom from Germany were valued at £728,000; whilst our exports were only £23,000. Glove-making in Germany is largely a domestic industry and the labour costs are much lower than in the United Kingdom, and a further advantage is possessed by the German manufacturer in the fact that as a rule all the processes of the industry are combined in one business, whilst in this country the weaving, dyeing, and finishing are carried on by separate firms.

83. As regards woollen hosiery, there was practically no foreign competition from abroad in woollen and worsted stockings and socks, though there was a considerable import (£463,000) of other woollen hosiery from Germany and Switzerland. Since the War Japan has sent in large quantities of the cheaper goods. The total exports of British Woollen and Worsted Hosiery were in 1913 about 2 million £ of which about one-half went to Canada and Australia, there being also a fair trade with the United States and the Argentine. There was little effective competition experienced by the British industry in the better quality goods.

84. Since the War attempts have been made to reorganise and develop the cotton hosiery and fabric glove industries on German lines, but the trade is generally of opinion that little substantial progress can be made in this direction unless some protection is afforded against the return of German competition and the new competition which has arisen recently from the United States and Japan. There appears to be no special demand for protection in the case of the woollen hosiery industries, except against Germany. It was generally agreed that concessions should be made in favour of Allies and possibly such other neutral countries as were prepared to offer reciprocal treatment.

85. With regard to the Textile Industries as a whole the principal recommendations of the Departmental Committee relate to :—

(a) *The promotion of the production of Textile raw materials within the British Empire.* The Committee urge co-operation of the Empire Governments for this purpose and for the effective control of the distribution of such textile raw materials with a view to (i) the complete safeguarding of the industrial requirements of the British Empire; (ii) assistance to our present Allies in securing the supplies which they need after the war; and (iii) the utilisation of the resources of the Empire for purposes of negotiation with other countries.

(b) *The organisation of production and distribution.* The Departmental Committee recommend that each of the textile industries should form a Central Association, representing not sectional interests but the industry as a whole, to deal with all matters of common interest; that in the smaller textile industries attempts should be made, where possible, either by amalgamation or by means of working agreements, to enlarge the units of production and thereby to avoid the duplication of effort

which is incidental to highly diversified production on a small scale; and that, with a view to the reduction of the expenses of distribution incurred by individual firms in the overseas markets, efforts should be made in the direction of combined representation or co-operative selling.

(c) *Tariff Protection.* The Departmental Committee content themselves with recording the opinions prevailing in the various trades on this matter and with recommending that, when the settlement of the general fiscal policy of the United Kingdom comes up for consideration, due attention should be given to the differing wishes and requirements of the textile trades and to the facts in connection with international competition upon which they are based as set out in the Report, and further that the Government should institute an expert examination of the tariffs of our Allies with a view to negotiations for reductions in our favour of such of their duties as affect our trade. The Committee, however, definitely recommend the adoption of anti-dumping legislation upon the lines of that in force in the United States, and are of opinion that imports from Germany and Austria-Hungary should be subject, for such period as may be determined by considerations of national policy, to a special tariff régime, either by the establishment of customs duties for the purpose or by a surtax upon any duties which may be levied on imports from other sources.

86. Other recommendations of the Departmental Committee relate to the promotion of scientific and industrial research with Government financial assistance—such research to be conducted by the trade associations or special associations for research to be formed on the lines now adopted by the Department of Scientific and Industrial Research; improvements in the efficiency of management and of labour, and for this purpose efforts to bring about a complete understanding between labour and capital; better technical and art education; and the improvement and enlargement of the Government system of commercial intelligence.

The Chemical Trades, including Drugs and Dyes.

87. The exports from the United Kingdom of the commodities included under this comprehensive heading amounted in 1912 to 21·4 million £, whilst those of Germany were 41·2 million £. The exports from the United States were 7·8 million £ in the same year. The predominant position of Germany in the world in these industries, and the remarkable progress made by that country in recent years, were due in part to a natural advantage enjoyed in the possession of by far the most important of the world's deposits of Potash, but mainly to the persistent and thorough manner in which scientific knowledg and research and business ability have been combined for the building up of a great and comprehensive chemical industry.

88. For synthetic dyestuffs the dye-using industries, and in particular the textile trades, of the world were dependent upon a group of very powerful German companies, which to great technical ability and financial resources added a most effective marketing organisation. Closely related to the dyemaking industry was the manufacture of Synthetic Drugs, in which again Germany dominated the world. In Fine Chemicals and Photographic Developers and in numerous commodities such as Zinc Oxide, White and Red Lead, Ultramarine, Barytes (for paint-making), Lithopone, Bronze Powder and a wide range of other chemical products, the German industry occupied an almost equally strong position. We are informed that the Haber process for the production of Ammonia had developed into a marked commercial success in the year prior to the war; it has since assumed very large proportions, and in conjunction with the manufacture of Cyanamide now provides Germany from Atmospheric Nitrogen with the whole of the Nitric Acid required for munitions of war and also with a large proportion of her fertilisers. The importance of this development for the future of the chemical industry of the world can hardly be exaggerated.

89. The large scale on which the German industry operated, the great technical ability at its disposal, and its very elaborate organisation, made it possible to market its produce at a price with which British manufacturers could rarely compete effectively, and facilitated the frequent adoption of a policy of systematic "dumping," with a view to the prevention of the development of competitive industries elsewhere. In numerous cases, both in respect of the classes of commodities already mentioned and in Heavy Chemical Trades also, British manufacturers had found it necessary in order to retain some part of the trade to enter into agreements with their German competitors and existed in some cases only on sufferance.

90. Whilst some powerful concerns existed in the United Kingdom and a number of small undertakings had attained a high level of efficiency, the position of the British chemical industry as a whole before the War was admittedly far from satisfactory. Its difficulties were due to a variety of causes of which one of the most important was the smallness of the scale of production in most cases, in consequence of the limited home demand. This was notably the case in respect of Sulphuric Acid and Superphosphates, where the productive power of the manufacturers was substantially in excess of the amount which could be disposed of in the home market, whilst export was restricted by natural circumstances. The Fertiliser industries (Sulphate of Ammonia and Superphosphates) absorbed about three-fifths of the pre-war production of Sulphuric Acid. The home consumption of Sulphate of Ammonia for agricultural purposes was comparatively small, though there was a large export trade. The manufacture of Superphosphates for which this country possesses no natural advantages (since both Pyrites and Phosphate Rock have to be imported as raw materials) was in a very unsettled condition owing to the rapidly increasing

importation of the foreign product and the gradual decline in the export trade. This decline was due in part to the erection of Superphosphate plant in countries which had previously imported that commodity, and partly to the competition of Continental countries, aided by cheap Sulphuric Acid as a by-product from Zinc manufacture and by especially favourable freight conditions. Whilst the works of the larger producers in this country were so efficient as to produce as economically as the Continental works, some of the smaller concerns, especially those which had suffered from the loss of the export trade, had not been kept up to date, as the uncertain condition of the trade lead to a reluctance to incur large outlay on the development of plant. The fertiliser trades had active trade associations, but the attempts which had been made to bring about the co-operation of the British chemical manufacturers in other branches for common purposes had met with little, if any, success.

91. There have been important developments in certain directions during the war in consequence of the great demands made upon the chemical industries in connection with the supply of munitions and to make good the shortage resulting from the cutting off of German supplies. There has been, for example, a very great increase in the output of Sulphuric Acid (of which, however, there is a serious risk of over-production after the war) and a large extension of by-product coking plants, whilst the manufacture of other chemicals, synthetic drugs and dyes for which the United Kingdom was previously dependent upon Germany has been taken up with an appreciable measure of success in some directions. But in spite of the enterprise and resource which British manufacturers have shown there is a widespread feeling that in a number of cases at least the development cannot be maintained after the war if German competition should again be unrestricted. In regard to that competition it is a significant fact that the great German concerns, particularly in the dye-making industry, which were already very powerful, have during the war come into combinations with a view to re-asserting and strengthening their position in the world's markets after the restoration of peace.

General Conclusions.

92. As stated in the Introduction to this Report, representations have been made to us in respect of a considerable number of industries of various degrees of magnitude other than those enumerated above, but we have not thought it our duty to make any detailed investigations in regard thereto, except in the case of the industries which are dealt with in our Interim Report on certain Essential Industries, to which reference is made in Chapter V. It appeared to us that the course to be adopted in regard to all these smaller trades would necessarily be determined by our general recommendations as to commercial policy based on a consideration of the great staple industries, the position of which has been set out above.

93. From the preceding sketch, and from the examination into the position in respect of a number of essential industries which is contained in our Interim Report of the 16th March, 1917, it is possible to draw certain conclusions as to the condition of British industry and trade, and the nature of the competition to which it was exposed, immediately before the War.

94. Whilst British industry on the whole had shown in the preceding decade great vitality and power of extension, its strength and development had been mainly in a certain number of long established manufactures, of which coal, cotton and the textile trades generally, shipbuilding and some branches of the engineering trades (such as textile machinery) are the most conspicuous examples. One important exception must be made from this general proposition; the iron and steel trades had made comparatively little progress, and had come to be entirely overshadowed by their great competitors in Germany and the United States. In the rise and expansion of the more modern branches of industrial production the United Kingdom had taken a very limited share, as is evidenced by our relative weakness in respect of the electrical, chemical and chemico-metallurgical industries; and it is admitted that in a number of smaller trades foreign manufacturers had shown greater enterprise and originality.

95. These weaknesses in British industry were manifested in two ways. (*a*) Certain branches of production, of great importance as a basis for other manufactures, had come to be entirely or very largely under German control; familiar examples are Spelter, Tungsten (for High Speed Steel), Synthetic Dyes, Artists' Colours, Photographic Developers, Fine Chemicals, Thorium Nitrate, Synthetic Drugs, Magnetos, Optical Glass, Chemical Glassware, Hosiery Needles, Bronze Powder, Artificial Abrasives, Filter Papers, Piano Actions, and such products as Ultramarine. In all these cases the strength of the German position was due largely to persistent scientific work and organising skill. (*b*) In numerous branches of industry, outside the great staple trades, foreign competition had become increasingly acute, and foreign manufactures had secured a strong or even predominant position. Examples of this are furnished by the China and Earthenware trade, where German success was due largely to the attention given to the production of hard porcelain, which was not manufactured in this country; Glassware (there was a large importation of flint glass and manufactures from Germany and Belgium, and of bottles from Germany and France); Paper for packing, printing and writing (from Sweden, Norway, Germany and Belgium); Brooms and Brushes (from Germany, Belgium, Japan and France); Bentwood Furniture (from Austria); Dressed Leather (from the United States); Fancy Leather Manufactures (from Germany); Clocks and parts thereof (from the United States and Germany), and Watches (from Switzerland); Artificial Jewellery (from Austria-Hungary and France); Toys and Games (from Germany, France and Japan); and a large variety of miscellaneous and fancy goods. The success of foreign competition in these various directions was due to a

variety of causes—in some cases to certain natural advantages in respect of raw materials; in others, to cheapness of labour, especially in the case of the products of domestic industries, or to the low cost of production per unit resulting from large scale production, specialisation and standardisation, or to ingenuity in the creation of new demands in the consuming market.

96. In overseas trade it appears from the Reports of the Departmental Committees and from the merchant evidence which we have received that British merchants and manufacturers were encountering energetic and successful competition, which is ascribed in part to the increasing efforts made by foreign countries to promote their own industrial development, in part to cheaper cost of production in certain countries (of which Japan is the most notable example, but which was also characteristic of certain European countries), and in part to the adoption by foreign merchants and manufacturers of methods of organisation and distribution different from, and in some cases markedly more effective than, those hitherto pursued by British traders.

97. This position was due to a number of causes. Undoubtedly one of the most important was the influence of history and tradition—the long start which the United Kingdom had enjoyed in the world's trade and the great achievements of her manufacturers and merchants had engendered a feeling of confidence in the maintenance of our position and in the methods hitherto pursued, with the result that there was until recently but little recognition of the necessity for constant vigilance and constant effort to meet the changing conditions and requirements of world trade. The strength of British industry in respect of the old staple lines of production had forced the new industrial nations to devote their efforts to the search for new branches of production, to the creation of new economic needs, and to the discovery and development of new methods of trade organisation and marketing. The admitted success in many directions of the competition of Germany with the United Kingdom was due in part to the comparatively late entry of German industry into the field, with the consequence that, as already stated, in order to make headway at all, it had in the first instance to devote its efforts to those branches of trade in which economic conditions in Germany made very cheap production possible, and to seek new branches of production in which it would not have to encounter the competition of old-established and powerful British industries. Further, in these and in the older branches of industry, Germany started with all the advantages of completely modern equipment and without the handicap of a traditional organisation. From the first there was in Germany complete recognition of the great value of the application of science to industry and the close co-operation of the two; this, though most strikingly exemplified in the chemical trades, may fairly be said to be characteristic of German industry as a whole. Amongst British manufacturers, though there were some marked exceptions, there was, speaking generally, no such recognition. Moreover the very success of individual enterprise in the United Kingdom had had the result that British industries were carried on in the main by great numbers of small concerns operating on a limited scale and suffering from all the resultant disadvantages, but nevertheless, as a rule (though there were some very important exceptions) reluctant to merge their individuality into larger concerns, or even to enter into any effective scheme of co-operation for common purposes. In Germany, on the other hand, the principle of combination has been readily and widely adopted both in respect of production and of marketing. Large scale production has no doubt been facilitated to some extent in both Germany and the United States by the fact that competition in the home markets has been practically excluded in respect of some commodities by protective tariffs. There has also been in Germany a much closer connection between industry and finance than has hitherto existed in the United Kingdom; this has been particularly exemplified in the German economic penetration of such countries as Italy, Russia and China. In marketing also we are informed that Germany has struck out new lines. Apart from the combined selling through the Cartels, which has in the opinion of many competent observers largely contributed to the rapid growth of German overseas trade, the German merchants have shown great readiness to adopt new methods. In China, for example, they have themselves carried trade into the interior, instead of conducting their business solely at the coast ports. They have given much greater credit facilities than British traders were prepared for, relying for this on a better intelligence system, but also running larger risks. In some cases, as in South and Central America, they have gone into retail trade, whilst British merchants prefer as a general rule to confine themselves to wholesale business. The merchant witnesses who appeared before us were generally indisposed to admit that the German methods of distribution were superior to our own; they regarded them as being often commercially unsound and sometimes morally objectionable, but as being the methods natural to a not very scrupulous trader endeavouring to make his way against long established competitors. No doubt there is some force in this criticism; but there is no question that the methods adopted were meeting in some directions with very marked success.

98. The competition of the United States has not been hitherto a very serious factor, though the great scale of the industries and the methods of production and organisation which prevail in that country may make its competition at least in certain lines of production (notably the iron and steel and engineering trades) very potent in the future, particularly in the great markets of South and Central America, where it will be in some measure aided by political influences.

99. With regard to Eastern markets British cotton manufacturers and our witnesses have expressed great apprehension in regard to Japan, which derives marked advantages from its geographical situation and the cheapness of its labour. Japanese competition is already very pronounced in common quality goods in China and India, and is extending in range with some rapidity. On the other hand the rising standard of living in China and India is a factor which should tell in our favour in the future. It was pointed out that a more active policy of railway construction in India would increase the spending power of the native population by

developing the natural resources of the country. Japanese competition has also become active during the War in the United Kingdom and Australasia, in such commodities as hosiery, glass and chinaware, paper and paper goods, toys, and a wide range of miscellaneous and fancy goods. From other countries the competition experienced by British manufacturers and merchants, both in the United Kingdom and in foreign markets, has been mainly limited to certain specialised branches of trade in respect of which individual foreign countries enjoyed certain peculiar advantages.

100. The preceding survey is limited to the position of British industry and trade on the eve of the war. The conditions since then have been so abnormal that it does not appear to us that any useful purpose would be served by an examination in this place of the movement of trade during the war. Not only was all trade with Germany and Austria (and later with Turkey) cut off by the outbreak of hostilities, whilst that with Russia and some other European countries was seriously impeded, but in course of time production for the home and foreign markets has been more and more restricted, and the difficulties of export intensified, first by the voluntary recruiting and later by the operation of the Military Service Acts; by the increasing restriction of exports necessary to conserve supplies for military and naval purposes; by the absorption of works (particularly in the Iron and Steel, Engineering and Metal Trades generally, but also in some branches of the Textile Trades) in the supply of munitions for ourselves and our Allies; by shortage of supplies of important materials and the measures of State control which have consequently been adopted; by the insufficiency of tonnage and the resultant restriction of imports, difficulties of shipment abroad, and the high level of freights; and by the operation of the Statutory Black Lists. The result of all these factors is that, whilst an amount of foreign trade very large in value has been maintained, its character and directions have been in many respects different from those which prevailed before the War. For example, our exports to some of our Allies have been largely increased and their nature has undergone considerable changes. The manufacture of some standard products has been suspended or reduced; stocks have been depleted; repairs and renewals of plant have been postponed; and, whilst German competition in foreign markets has been cut off, that of the United States and Japan has been advancing rapidly, aided in many instances by the inability of British traders, not only to meet the new demands caused by the cutting off of German goods, but even to supply their own established customers.

101. War requirements have enormously increased our productive capacity in certain great branches of industry—the conspicuous examples being the Steel and Chemical Industries. The large developments and improvements in methods which have been necessary in both these cases ought to result in a permanent and substantial increase in the economic resources of the country. The position in regard to the Engineering Trades is less definite; some of the extensions of plant which have taken place will no doubt be of great utility, but the machinery of some of the special plants which have been set up during the war will be of little use for general work. Much experience has, however, been gained in the handling of new types of machinery (particularly automatic machines) and in the organisation of production; and throughout British industry generally the cutting off of foreign supplies of commodities, hitherto regarded as indispensable and unobtainable except from abroad, has stimulated British manufacturers to efforts to fill the gaps by the provision of similar commodities or adequate substitutes. In numerous directions attempts of this kind have been made, with and without Government assistance, to establish new lines of production of varying degrees of importance, and a substantial measure of success has already been attained in some cases. British manufacturers have shown much adaptability and resourcefulness, and the knowledge and experience gained during the war should be a most valuable asset in respect of our post-war trade.

102. It is in our opinion a matter of vital importance that, alike in the old-established industries and in the new branches of manufacture which have arisen during the war, both employer and employed should make every effort to attain the largest possible volume of production, by the increased efficiency of industrial organisation and processes, by more intensive working, and by the adoption of the best and most economical methods of distribution. It is only by the attainment of this maximum production and efficiency that we can hope to secure a speedy recovery of the industrial and financial position of the United Kingdom and assure its economic stability and progress.

103. As stated in the Introduction, we have not felt it possible to enter into a detailed examination of all the specific recommendations made in the Reports of the various Departmental Committees appointed by the Board of Trade, many of which are of a technical and detailed character and will require expert examination by the various Government Departments directly concerned. We welcome the action already taken by the Government in certain directions, to which we shall refer in other parts of this Report, and we trust that, so far as they are not covered by the action thus already taken, these specific recommendations relative to individual trades may receive the full and sympathetic consideration to which we think they are entitled in view of the elaborate and comprehensive nature of the enquiries on which they are based. We think we shall take the course most likely to be generally useful if we confine our attention to the larger questions of commercial policy.

CHAPTER III.

Measures to be adopted during the Transitional Period.

The Treatment of Imports from the present Enemy Countries.

104. In our first Interim Report, dated the 9th November, 1916, we discussed what régime should be applied to Imports from the present enemy countries immediately after the War, having regard especially to the obligations imposed by the following Resolutions of the Paris Economic Conference which are included in the "Transitory Measures for the Period of Commercial, Industrial, Agricultural and Maritime Reconstruction of the Allied Countries":—

B II.

"Whereas the War has put an end to all the Treaties of Commerce, between the Allies and the Enemy Powers, and whereas it is of essential importance that, during the period of economic reconstruction which will follow the cessation of hostilities, the liberty of none of the Allies should be hampered by any claim put forward by the Enemy Powers to most-favoured-nation treatment, the Allies agree that the benefit of this treatment shall not be granted to those Powers during a number of years to be fixed by mutual agreement among themselves.

"During this number of years the Allies undertake to assure to each other, so far as possible, compensatory outlets for trade in case consequences detrimental to their commerce result from the application of the undertaking referred to in the preceding paragraph."

B IV.

"In order to defend their commerce, their industry, their agriculture, and their navigation against economic aggression resulting from dumping or any other mode of unfair competition, the Allies decide to fix by agreement a period of time during which the commerce of the Enemy Powers shall be submitted to special treatment, and the goods originating in their countries shall be subjected either to prohibitions, or to a special régime of an effective character.

"The Allies will determine, by agreement through diplomatic channels, the special conditions to be imposed during the above-mentioned period on the ships of the Enemy Powers."

105. The fact that those Resolutions had been accepted by His Majesty's Government made it unnecessary for us to discuss the principle of the differential treatment of imports from the present enemy countries after the War, and, in making our recommendations for a definite and public decision at that time, we had in view (*a*) the widespread feeling that the military operations of Germany during the War, and the seizures of plant and materials in the occupied territories, have been largely directed towards delaying the economic recovery of the Allies after the War, and that strong counter measures may properly be taken; (*b*) the fact that it is reasonable to assume that some of the German industries to which the United Kingdom market was important before the War, and which are now threatened by British competition developed during the War, will adopt every possible measure to overthrow that competition and to re-establish their position; and (*c*) the advisability of giving British industry as much security as possible during the period of transition from war to normal peace conditions.

106. It appeared to us that for these purposes a system of prohibition would be likely to be the most effective, as it would be the most readily applicable, method; and we accordingly recommended that the present régime, whereby importation of goods of enemy origin is prohibited, should be continued, subject to licence in exceptional cases, for a period of at least 12 months after the conclusion of the War, and subsequently for such further period as His Majesty's Government might deem expedient.

107. We pointed out that this prohibition would have to be safeguarded by means of a system of Certificates of Origin for goods imported from countries, at any rate in Europe, other than the present enemy countries, and that the grant of licences for the importation of goods essential in the national interest should be administered by a Department of Government, and should be subject to such restrictions and conditions as might be thought proper.

The Control of Exports.

108. In our second Interim Report, dated the 14th December, 1916, we discussed the treatment of Exports from the United Kingdom and British Overseas Possessions and the Conservation of the Resources of the Empire during the transitional period after the war. In arriving at our conclusions on these subjects we had in mind the following general conditions:—

(1) The extent to which the competition of enemy trade can be affected by restriction of exports from the United Kingdom.

(2) The danger of shortage of important commodities produced in Great Britain or the Empire, or stored therein during the war, which might be required for provisioning the population and maintaining manufactures.

(3) The supply of the Allies for the restoration of their industries as laid down in Resolution B. III. of the Transitory Measures of the Paris Conference.

109. The Resolutions of the Paris Conference which bear upon the matter are as follows :—

B. I.

"The Allies declare their common determination to ensure the re-establishment of countries suffering from acts of destruction and spoliation and unjust requisition, and decide to join in devising means to secure the restoration to those countries, as a prior claim, of their raw materials, industrial and agricultural plant, stock and mercantile fleet, or to assist them to re-equip themselves in these respects."

B. III.

"The Allies declare themselves agreed to conserve for the Allied countries, before all others, their natural resources during the whole period of commercial, industrial, agricultural and maritime reconstruction, and for this purpose they undertake to establish special arrangements to facilitate the interchange of these resources."

110. We stated that in our opinion effect could not be given to those Resolutions, unless export restrictions are placed during the transitory period upon a number of important articles, and that any measures undertaken for the purpose should aim at assuring to the British Empire and the Allies priority for their requirements, and at preventing the present enemy countries from gaining by the use of such materials an initial advantage in the competition to recover markets which will follow the war.

111. We do not here do more than recapitulate our main conclusions; the grounds on which they are put forward will be found fully stated in the Report :—

"(1) Any general prohibition of exports at present enemy countries after the war and any continuance of the system of rationing neutral countries are impracticable and inexpedient, but the Paris Resolutions can be carried into effect if a policy of joint control of certain important commodities can be agreed upon between the British Empire and the Allies for the Transitional Period. Any measures should aim at securing to the British Empire and the Allied countries priority for their requirements and should be applied only to materials which are mainly derived from those countries and will be required by them (paragraphs 1 to 10).

(2) This policy should be applied as regards the United Kingdom by legislation empowering the Government to prohibit the export except under licence of such articles as may be deemed expedient. Under these powers the export of certain commodities which we specify should be controlled, as well as that of any other important commodities, in the case of which it may be found that there is a danger of shortage. The régime should be administered with the help of strong committees on which the trades concerned should be fully represented (paragraphs 11 to 17).

(3) As regards the British Empire and the Allied countries the Government should without delay enter into negotiations with the various Governments concerned, with a view to the adoption of suitable joint measures as regards selected commodities of importance. For this purpose expert committees should at once be appointed (paragraphs 18 to 26).

(4) The Government should consider, in consultation with the Allies, the expediency of establishing after the war a joint organisation on the lines of the Commission Internationale de Ravitaillement for dealing with the orders of the Allied Governments for reconstruction purposes, and with such private orders as they may find it expedient to centralise. In exceptional cases it may be found necessary to adopt a policy of Government purchase of certain important raw materials, the supply of which cannot otherwise be safeguarded (paragraphs 27 to 32)."

112. We desire to re-affirm these conclusions. The commodities to which we drew special attention were as follows :—

Indian and Egyptian Cotton.	Coal.
Jute.	Oil Seeds and Nuts.
Raw Wool.	Hides and Tanning Materials.
Cotton Yarn.	Flax.
Wool Tops.	Hemp.
Worsted and Alpaca Yarns.	Timber.

113. The prolongation of the War and the entry into it of the United States have increased the importance of a considered policy directed towards assuring to the British Empire and the Allies adequate supplies of essential raw materials during the period immediately following the conclusion of peace, and we wish to make it clear that in our opinion the extent to which the Paris Resolutions which bear upon this vital question can be carried into effect depends upon the co-operation of the Governments concerned.

Other measures of control of home and foreign trade.

114. The exigencies of the war have led to the introduction of far-reaching measures of Government control of industry which are constantly being extended. In addition to the prohibition of trading with the enemy numerous restrictions have been imposed upon the nature and direction of British trade with foreign countries, both with a view to safeguarding our own requirements and in connexion with the Blockade of the enemy countries. For example, a wide range of exports, especially to neutral countries in Europe, is controlled under the licensing system, and by means of the Statutory List British firms are prohibited from trading through the medium of agents of enemy origin or association in neutral countries. Drastic restrictions have been imposed upon imports for the purpose of maintaining the foreign exchanges and economising the

limited amount of tonnage available for purely commercial work. The latter necessity has also severely hampered British export trade in many important markets. In the case of many important foodstuffs and raw materials the Government have found it necessary either to assume complete responsibility or to exercise a close control of prices and distribution. By means of the Priority Advisory Committee certain industries are allotted only such proportion of their normal supplies as will suffice to preserve them on the smallest possible amount of raw material. Apart from the shortage of labour and materials caused by the requirements of the army and the manufacture of munitions and by shipping difficulties, most industries have been affected by regulations as regards production and manufacture. The Government have taken possession of mines, railways and canals. The manufacture of numerous commodities of military or commercial importance is regulated by a scheme of priority which must be followed by all firms receiving instructions in the matter, and dealings in such commodities are permitted only under licence. In many establishments the nature of the goods to be manufactured and their destination are prescribed by the responsible authorities. Certain classes of manufacture are entirely prohibited or severely restricted. Regulations are continually being made governing the priority of transport of goods by railway. While certain firms engaged in the production of war material have received financial assistance in order to enable them to instal plant and buildings which would not be necessary for their normal trade, in all other cases the raising of fresh capital for industrial development at home or for export abroad is permitted only in special circumstances.

115. The foregoing examples serve only to indicate the vast and complicated network of regulations and restrictions by which under numerous Departments and specially created bodies British industry is now controlled. It will be obvious that under such conditions the normal commercial and industrial operations of the country are carried on with very great difficulty.

116. British merchants and manufacturers have acquiesced during the war in these measures of control, regarding them as inevitable; but there is a widespread demand that they should be removed at the earliest possible moment after the cessation of hostilities. This demand has found strong expression in the Reports of the Departmental Committees on the Coal, Engineering, Shipping and Shipbuilding and Textile Trades, though the Committee on the last-mentioned Trades consider that some measures will be necessary after the war for the control and distribution of the Wool supply, and for securing that British Textile factories and those of our Allies shall be re-equipped before export orders for other foreign countries are taken in hand.

117. We recognise that in addition to the proposals contained in our former Reports it will also be necessary to continue for some period after the War some portion of the control of home and foreign trade imposed during the War to which we have referred in the preceding paragraphs. It is not possible for us at the present time to specify the precise measures which will be required. They will depend upon a number of factors which cannot be accurately determined without knowledge of the precise terms of peace and the conditions of industry at the time, more especially as regards the available supply of raw materials and of tonnage.

118. The primary need will certainly be to secure to the country adequate supplies of foodstuffs and raw materials for industry and their fair distribution. For these purposes it will almost certainly be necessary that at the outset the Government should continue to control the allocation of tonnage. In addition, where supplies of raw materials are not likely to be available on a sufficient scale to meet all internal demands, some arrangements for joint purchase and apportionment will be required. Similarly, in view of the extent to which renewals and repairs to machinery will be needed, it may be desirable at the outset to regulate the execution of orders by means of a system of priority certificates. In the application of any such system regard must, however, be had, as stated in paragraph 3 of our Second Report of the 14th December, 1916, to the imperative necessity of encouraging the general export trade of the country.

119. In any steps which may be taken on the above lines the policy of the Government should, in our opinion, be so framed as to keep within the narrowest possible limits the restrictive measures which it may be necessary to continue, and should be directed towards the restoration of normal industrial conditions within the shortest possible time, subject always to the essential needs of the country and our obligations towards our Allies. Wherever practicable the trades concerned should themselves be entrusted with the working of the control under Government authority. We entirely concur in the opinion expressed by the Trade Committees that State control of, and restrictions upon, industries arising out of war conditions, which have been recognised and accepted as necessary during the war, will be found to be detrimental under normal conditions, and we strongly urge that they should be removed so soon as possible after the conclusion of peace, regard being had to the circumstances of each particular case. The early restoration of unrestricted dealings in the markets of this country and the world at competitive prices is essential to the re-establishment of British industry and commerce on a sound basis. It is especially important, with a view to the maintenance of the foreign exchanges and the recovery of our position in the markets of the world, that our general export trade should be freed as soon as possible from all unnecessary restrictions, both as regards its nature and amount and the channels through which it would normally flow.

CHAPTER IV.

The Supply of Materials.

120. Among the questions to which our attention is specially directed by our terms of reference are the following:—

(*c*) "To what extent and by what means the resources of the Empire should and can be developed";

(*d*) "To what extent and by what means the resources of supply within the Empire can be prevented from falling under foreign control."

121. We have had before us in this connection the Final Report of the Dominions Royal Commission, which deals in Chapters IV and V with "the Natural Resources of the Self-Governing Dominions," in Chapter VI with "the Conservation and Development of Natural Resources in the Future," and in Chapter XIV with "Empire Development and Organisation."

We have also had before us the Reports of the Departmental Committees appointed by the Board of Trade to consider the position of the Textile and Iron and Steel Trades after the War. The Textiles Committee have made a number of recommendations as to the development of the supply of textile raw materials from Imperial sources, whilst the Report of the Iron and Steel Committee emphasises the need for more systematic action than has hitherto been taken to secure adequate supplies of Iron Ore.

We have had evidence and Memoranda from a number of Government Departments, from various public Institutions and Societies concerned with different aspects of the subject, and from Chambers of Commerce.

Furthermore we have received from the Sirdar a Report on the Economic Development of the Anglo-Egyptian Soudan, and through the Colonial Office certain special Reports from the Governments of a number of Crown Colonies and Protectorates.

The Development of Imperial Resources.

122. The War has directed public attention to the extent to which the United Kingdom and the British Empire as a whole are dependent upon foreign countries, not only for certain manufactured commodities of great importance (a matter with which we have dealt in our Interim Report on Essential Industries), but also for a large number of raw materials which are not produced at all, or are produced on a scale altogether incommensurate with our requirements, within the British Empire. Conspicuous examples of such materials produced on an appreciable scale, but nevertheless to an insufficient extent, are Iron Ore, Antimony, Bauxite (the Ore of Aluminium), Copper, Graphite, Lead, Rock Phosphate, Petroleum, Cotton, Flax, Hemp, Sugar, Wood and Timber, and Tobacco. Examples of materials not produced at all within the Empire, or produced on a quite insignificant scale, are Maize, Silk, Potash, Borax, Cryolite, Quicksilver, Nitrate of Soda, Sulphur, Bismuth, Cinchona (Quinine), Ipecacuanha, Iodine, Coca (Cocaine). Attention may also be drawn to the fact that the imports into the United Kingdom before the War of Beef, Pork, Bacon and Hams were almost entirely derived from foreign countries. The main conditions in regard to these various commodities, and especially as to the extent of our dependence upon foreign sources of supply, were of course familiar before the War to those directly concerned with each particular article, but it is doubtful if they were at all widely known or if their significance for the industrial position of this country, especially in times of international disturbance, was generally appreciated.

123. Although the list of commodities given above is a lengthy one, it is not exhaustive, and might be considerably increased. It is not suggested that all of them are of equal importance, and any attempt to make the Empire self-supporting in respect of them all would probably be both impracticable and economically unsound. Some selective policy will be necessary, which shall have regard to relative importance, whether industrial or military, and to the sources of supply and the likelihood of their disturbance in times of war.

124. In this connection we should like to draw attention to Appendix I to the Final Report of the Dominions Royal Commission (Cd. 8462) and the "Memorandum and Tables relating to the Food and Raw Material Requirements of the United Kingdom," published by the same Royal Commission in 1915 (Cd. 8123), in which for the first time an effort has been made to take, so far as the existing data permitted, a comprehensive survey of the requirements of the United Kingdom and of the Empire in respect of a wide range of Foodstuffs and Raw Materials of Industry, and of the extent to which those requirements are or might be met from the developed or undeveloped resources of the Empire. We entirely concur in the general recommendation of the Dominions Royal Commission (Page 66, Paragraph 332), that "it should be the duty of some body or Department to collect from year to year information as to the requirements of the Empire in respect of commodities essential to its development, safety and well-being, and as to the output actual and potential, and to watch carefully any tendencies towards change. Action of this kind lies at the root of any endeavour towards a wise utilisation of the resources of the Empire."

125. The Dominions Royal Commission go further than this pronouncement and formulate in Chapter XIV of their Report (Pages 158–163) a scheme for the establishment of an Imperial Development Board, which should consist of representatives of all parts of the British Empire.

and should undertake the duties indicated in the recommendation quoted in the preceding paragraph and should further be charged with the elaboration and critical examination of joint Imperial schemes of development. It is recognised by the Commission that the Board should not encroach upon the political or administrative machinery of any of the Self-Governing parts of the Empire; in other words, it should be purely advisory in its initial stage, though the Commission clearly contemplate specific administrative functions being assigned to it in the future. In the opinion of the Commission the proposed Development Board should undertake a continuous survey of the relations between the production and requirements of the Empire in the matter of Foodstuffs, Raw Materials and all other commodities essential to its well-being, and watch and report upon the changing requirements of the Empire in respect of such materials and commodities. Moreover, it is proposed that it should:—

(1) Mature plans for promoting and improving the production within the Empire of such materials and commodities;

(2) Investigate in collaboration with existing Institutions and Committees the possibilities of production within the Empire of essential materials and commodities now mainly produced outside its limits; the best means of promoting efficiency and preventing waste in existing methods of production; and the possibility of the utilisation of substitutes for essential commodities not available within the Empire, and

(3) Consider and devise means for the direction of Empire capital towards the development of Empire resources; study the larger aspects of migration within the Empire with a view to securing and maintaining a sufficiency of population in all its parts; advise on the adequacy for Empire requirements of schemes of harbour improvement; study the lines of communication by Steamship, Railway or Cable, which are contributory and necessary to Imperial Development; study and report upon legislation both within and without the Empire affecting the mechanism of trade in its widest sense; and prepare and publish Imperial Statistics.

126. It would in our opinion be out of place for us to offer any detailed criticism upon recommendations which are the outcome of so prolonged and comprehensive an enquiry as that which has been conducted by the Dominions Royal Commission, and we propose, therefore, to confine ourselves to certain general observations. Whilst we have great sympathy with the objects which the Dominions Royal Commission have in view in putting forward their proposals, the scheme is clearly a very ambitious one, and we doubt if it is immediately practicable. We think that it would be possible to make more rapid progress by dealing separately with a number of special commodities or groups of commodities. It would no doubt be possible at a later stage to bring organisations set up for these special purposes into one single organisation should that course be deemed expedient. A subsidiary argument telling in the same direction is that the conditions in respect of particular commodities or groups of commodities and the problems arising therefrom differ so much that no single Board of limited numbers could possibly deal with them adequately without the assistance of a number of specialised Committees composed of technical and commercial experts.

127. In a letter addressed to you by our Chairman on the 4th May last (Appendix I) we have already made recommendations, on the lines thus indicated, in respect of Metals and Minerals, and have expressed our opinion that some effective organisation should be provided as soon as possible in the form of an Intelligence and Advisory Bureau,

(a) "for securing the detailed and systematic collection, examination, and dissemination of information as to the needs and resources of the Empire in respect of Minerals and Metals of economic or military importance, and

(b) "for framing proposals for submission to the proper Authorities as to the co-ordination of existing surveys and investigations and any extensions thereof which may appear expedient."

128. We have further suggested that in certain cases it should be a duty of the organisation thus proposed to consider if any deposits of Minerals not adequately worked, or any new deposits unlikely to be adequately worked without some kind of Government assistance, are of such military importance or likely to become of such economic importance as to warrant Government aid in their development, and if so, to frame recommendations for the consideration of the particular Government of any part of the Empire which may be concerned.

129. Further, in our Interim Report on certain Essential industries we have expressed the opinion that measures should be taken to improve the supply from within the British Empire of certain essential drugs or materials for drugs, and that a special authority should be charged with the duty of administering these measures, of safeguarding the consumer, and of watching over the position of this essential industry, and we have suggested that this task might be undertaken either by a sub-department of the Special Industries Board, the establishment of which we recommended in paragraphs 30 and 31 of that report, or by the National Health Insurance Commission, co-operating closely with the Department for Scientific and Industrial Research.

130. A further recommendation on the same lines is that contained in that part of the Report of the Textile Trades Committee which deals with the supplies of Raw Cotton. That Committee have recommended "that every possible effort should be made to secure a more extended growth of cotton within the British Empire; that in order to further such efforts a standing Advisory Committee should be appointed, including representatives of the Governments of India, Egypt and the Colonies and Dependencies concerned; the trades interested both in the United Kingdom and in India; the British Cotton Growing Association; the Imperial Institute, and at least one botanist who has devoted special attention to the growth of cotton. It is recommended

that the duty of this Committee should be to investigate in all its bearings the question of increasing the supply of cotton within the Empire, to act as a clearing house of information, and generally to assist and advise the Governments concerned in the development of their cotton-growing resources."

131. The Board of Trade have set up such a Committee and we have only to express our approval of this action, and the hope that the Committee will be provided with all the financial assistance necessary for this purpose by the Governments of the United Kingdom and the other parts of the Empire concerned.

132. It will be evident from the three cases referred to in the preceding paragraph that the work of each Committee or other Authority which may be set up to deal with any particular commodity or group of commodities from the point of view now under consideration may take any one or all of the following directions :—

(*a*) It may act simply as a clearing house of information, collecting and co-ordinating the fullest possible information as to Imperial requirements and resources in respect of the commodity with which it is appointed to deal, and directing attention to any gaps in the information available, and making suggestions as to the manner in which those gaps can be filled ;

(*b*) It may direct attention to the inadequacy of Imperial Supplies of important commodities and formulate suggestions for submission to the various Governments concerned for the systematic search within the Empire for commodities which are or may hereafter be of importance for our industries ; and

(*c*) In some cases where it appears that State assistance is necessary for the development of such resources, whether by subsidy, the provision of means of transport, the organisation of labour supply or otherwise, it may frame schemes for such State assistance which can be put before the responsible executive Department of the Government.

133. We think it will be generally agreed that the first and second of these functions can be very usefully discharged by bodies set up on the lines of those suggested for Cotton and Metals and Minerals. There may be some difference of opinion as to whether the third of the functions indicated in the preceding section is one which can be usefully undertaken by such bodies, but there appears to us to be no reason why it should not be undertaken by them, provided that it is clearly understood that any schemes that they may frame in this connection are simply propo-als to be submitted to the Government and to be subject to their approval ; that provision is made for the representation of any Overseas Governments concerned, so that their views may be given full weight in the framing of schemes, and that both scientific and commercial advice should be utilised to the fullest possible extent.

134. It is obvious that the measures to be taken must vary with each particular commodity. It may be that in certain cases, of which Sugar is a conspicuous example, a measure of Imperial preference, by way of tariff reduction or otherwise, may afford a sufficient stimulus to production. In this connection we would refer to the Resolutions forwarded by us to you on the 2nd February last. In some cases scientific surveys and investigations undertaken with State financial assistance may be necessary. In other cases State aid in the development of transport facilities may be requisite ; in yet others, it may be desirable for the Local Governments to take action in respect of the supply of labour ; in others, as for example Soudan Cotton, financial help from the State, either in the form of loans or of outright subsidies, may be desirable in the early stages of development. In some instances the only kind of action called for may be the formation of Combinations of British consumers of the particular commodities to develop their supplies, the State giving merely encouragement and recognition to such Combinations. An example of this is the proposal of the Iron and Steel Trades Committee with respect to Iron Ore.

135. We do not consider it practicable for us to undertake the detailed investigations which would be necessary to determine what kind of action is desirable in respect of the numerous individual commodities which have been enumerated earlier in the chapter ; and we recommend therefore that special inquiries on the lines of those to which reference has already been made should be instituted with regard to such of the commodities mentioned in paragraph 122 above as may be selected under the principles indicated. We think that the object to be kept in view in such inquiries should be that the Empire ought to be capable in an emergency of being independent in respect of the supply of every essential commodity of any single foreign country or possible combination of foreign countries. In our view no one of the various forms of State action to which we have directed attention should necessarily be excluded from the recommendations of any Committees or other Authorities set up to deal with particular commodities or groups of commodities, provided always that, whatever method may be adopted in each case, regard is had to the importance of not raising the price (except so far as may be necessary for revenue purposes) of important raw materials or foodstuffs.

136. In paragraph 127 above we have referred to the recommendations already made by us for the establishment of an Intelligence and Advisory Bureau for dealing with information as to the needs and resources of the Empire in respect of Minerals and Metals of economic or military importance. We think it clear that some permanent machinery will also be required in order to co-ordinate and render more readily available than at present the information obtained from various sources as regards other commodities of the nature referred to in the preceding paragraphs. At the same time, while it is desirable that information should be readily available in an accessible form in

London, due regard should be had to the importance of preserving the initiative and independence of the various bodies now engaged in scientific and industrial research and the dissemination of the results. In any arrangements advantage should be taken of the organisation which already exists at the Imperial Institute for these purposes. We do not propose to enter into the discussion which has recently arisen as regards the work of the Imperial Institute or into the controversial proposals made in this connexion in Chapter VII of the Report of the Dominions Royal Commission. We desire only to say that, while the Institute has done very useful work in the past, we agree that improvements should be made in its organisation in order to enable it to carry out adequately the work which will be required in future. In particular we are disposed to concur in the view expressed in paragraph 403 of the Commission's Report that administrative and scientific functions should not be combined in one officer. We recommend that a small independent Committee should be appointed to consider to what extent and in what manner the Institute can be made more effective for the purposes referred to in this part of our Report.

The Regulation of Alien Interests.

137. As regards sub-head (*d*) of our Terms of Reference, namely, "to what extent and by what means the sources of supply within the Empire can be prevented from falling under foreign control," we think that the experience of the War has shown that some special form of Government control is necessary in respect of a certain number of commodities of vital military importance, the supply of which within the British Empire is limited. In our report on Essential Industries, to which reference is made in the following chapter, we have made recommendations with this object in view as regards Wolfram Ore, the raw material of Tungsten, and Monazite Sand, from which Thorium Nitrate is extracted. Other important examples which may be quoted are Petroleum, Bauxite, Chrome Ore, Manganese, Molybdenum and Vanadium, and, among the raw materials of essential drugs, Egyptian Henbane and Ajowan Seed, which are respectively the sources of atropine and thymol. In such cases it is desirable to secure, not only that the sources of supply and their working are under British control, but also that adequate supplies are directed to the United Kingdom. These objects may be attained in the case of certain minerals by means of the imposition of special conditions in the grant of mining leases or licences by the local Government concerned, and their reservation in certain cases to British subjects or companies of British character. In some cases it may be expedient to continue the regulation of export by licence or to impose export duties, and in others to provide for actual Government control in special emergencies. The commodities in respect of which such special measures may be necessary and the precise measures to be adopted must be selected as the result of careful inquiry into the circumstances of each case.

138. Apart from the limited number of cases which fall within the scope of the last paragraph we are of opinion that it would be unwise to aim at the exclusion of foreign (other than present enemy) capital from sharing in the development of the material resources of the Empire. It will, we think, be generally agreed that for a term of years at least present enemy capital should be excluded from such participation.

139. We understand that in the case of rubber lands in the Federated Malay States the Secretary of State for the Colonies has decided that foreign capital shall not be allowed to acquire estates whilst British capital is debarred by the circumstances of the War from so doing. Whatever justification there may be for this policy during the War, we are strongly of opinion that after the War obstacles should not be placed in the way of foreign (other than present enemy) capital assisting in the development of the material resources of the Empire, especially as owing to the great demands made upon it to meet the expenditure for the War British capital may for some time to come not be in a position to undertake the task of Imperial Development on the scale which we all desire to see. The free investment of capital has been on the whole a factor of great assistance in this development in the past.

140. If this policy be adopted, it should be subject to the proviso that the necessary legislative powers are taken to secure :—

(a) Complete disclosure, so far as is practicable, of the extent of foreign holdings in any particular case ;

(b) That Mineral and other properties are not secured by foreign concerns in order to prevent the development of those properties and to check competition in supply ; and

(c) That as indicated in paragraph 137 above in the case of concessions relating to commodities of great Imperial importance the local Government concerned should have some measure of control over the working of the properties.

141. If these principles be accepted by His Majesty's Government we recommend that they may be brought under the consideration of the Governments of the Empire concerned, with a view to the adoption throughout the Empire of a uniform policy so far as practicable.

CHAPTER V.

Essential Industries.

142. In our Report, dated the 16th March, 1917, we dealt in part with the question contained under Subhead A of our Terms of Reference, viz : —

" What industries are essential to the future safety of the nation, and what steps should be taken to maintain or establish them."

We pointed out that it is, of course, obvious that the great staple trades, such as Coalmining, the Iron and Steel Industry, Engineering, Shipbuilding, the Electrical Trades, and the Textile and Chemical Industries, are of vital importance to the economic life of the nation both in peace and war. We stated that there are, however, certain special commodities which, whilst the branches of industry engaged therein are not of such magnitude, are essential to national safety, as being absolutely indispensable to important British industries, and were supplied before the war entirely or mainly from present enemy sources or from sources under present enemy control. We were informed that in drafting the first of the Permanent Resolutions of the Paris Economic Conference (C. I.) the representatives of His Majesty's Government had especially in mind industries (which have come to be known as " key " or " pivotal " industries) concerned with the production of commodities of the kind.

143. In addition to Synthetic Dyes and Spelter, in respect of which action has already been taken by His Majesty's Government to secure the maintenance of a permanent supply in the United Kingdom, we made detailed recommendations as regards the following selected commodities which appeared to us to call for special mention on the foregoing grounds :—

Tungsten.
Magnetos.
Optical and Chemical Glass.
Hosiery Needles.
Thorium Nitrate.
Limit and Screw Gauges.
Certain Drugs.

144. As regards Drugs we have received, in addition to the Memorandum from the National Health Insurance Commission appended to our Report of the 16th March last, valuable Memoranda from the Pharmaceutical Society and the War Office. The detailed suggestions contained in those memoranda, which do not affect the principles laid down by us, will fall to be considered by whatever Department is entrusted with the responsibility of safeguarding the supply of Essential Drugs.

145. We reproduce here the general conclusions on this branch of our inquiry formulated in that Report :—

" General.

" 29. Up to this point we have dealt with several typical industries which on account of their peculiar importance appear to us to require special treatment in future. From the consideration of these industries certain principles emerge which call for notice. We now proceed to state these principles and to make the general recommendations which in our opinion follow from them.

" In the first place a particular commodity or branch of production which is of great national importance at a given time may not continue to be so, and on the other hand new essential industries may emerge in the future.

" Secondly, the causes which have rendered British trade dependent upon the present enemy countries for the supply of particular commodities are by no means uniform, and the measures required to promote the various branches of industry involved may vary with each individual commodity. The problem will also be affected as new economic and political conditions arise and changes occur in the international situation.

" It seems to us to be certain that in the future industries of the nature dealt with in this Report will always require special and separate consideration, and that no general measure will be sufficient to meet the varying requirements. Consequently it is impossible to lay down permanent and uniform lines of State action in this connection ; nor are we in a position to frame an exhaustive list of such industries as may from time to time call for exceptional treatment, or to elaborate in detail the precise measures which may be needed in each case. The special recommendations which we have made in the previous paragraphs may themselves require modification to meet the conditions which may actually exist after the war.

" Establishment of a Special Industries Board.

" 30. In these circumstances we recommend the establishment of a permanent Board (which might be called the Special Industries Board) charged with the duty of watching the course of industrial development and of framing from time to time, when necessary, either on its own initiative or on the application of interested departments or persons, detailed schemes for the promotion and assistance of industries concerned with the production of commodities of the special character indicated in paragraph 2 of this Report.

" This organisation should take the form of a Board of commercial and industrial experts, associated with whatever Department of State is entrusted with the care of the commercial and manufacturing interests of the country, and represented in Parliament by the political head of

that Department. It should be a statutory body with a permanent chairman and with power to appoint such secretarial and technical staff as it may require from time to time. It should issue an annual report of its proceedings, and such special reports as it may think expedient, which reports should be presented to Parliament; and it should be a statutory condition that, except upon its recommendation, no State assistance by way of grant or subsidy should be given to any industry or branch of industry. It should work in close relation and co-operation with the Department of Scientific and Industrial Research, and all other Departments of the State interested in the development of industry, and it should always be cognisant not only of naval and military requirements as they affect industry, but also of the current political relationships of this country, since changes in these respects may obviously bring to light fresh 'essential' industries.

"31. The maintenance of efficient and adequate production at reasonable prices must be a condition of the continued receipt by an industry of special State assistance in any form. In addition to the framing of schemes, it should be the duty of the Board the establishment of which we recommend to watch over the fulfilment of this condition, and for this purpose it should make such arrangements as to inspection as may be necessary. Where financial assistance is given it should be a condition that the firms or companies in receipt of grants should be entirely British and the grants should be issued only upon a certificate from the Board that this condition and any other conditions which may have been imposed continue to be satisfied, and the repayment of the whole or at least part of any grants should always be kept in view. Similarly, where import restrictions are imposed for the purposes indicated in this Report, the grant of licences should be regulated on the advice of the Board. In any cases in which special protection may have been given against foreign competition by way of tariff or prohibition, it should be a function of the Board to consider complaints that such protection has been improperly used or has for any reason ceased to be in the public interest; and in all cases in which special assistance of the kinds suggested in this Report is given the Board should have power to consider complaints as to the conditions and terms of employment in such industries, and to require any changes to be made therein which it may deem proper. For these purposes it should have the right which has been exercised with advantage by the contracting departments of the Government during the war to examine books and cost accounts, to conduct such enquiries as it may think necessary, and to publish its conclusions. The members of the Board should, we think, be appointed for fixed terms of years.

"Failing efficient and adequate output, the Government should itself undertake the manufacture of such articles as may be essential for national safety."

CHAPTER VI.

The Treatment of Aliens in respect of Commercial and Industrial Occupations and Undertakings in this country.

146. In Chapter IV we have dealt with the question to what extent and by what means the supply of raw materials within the Empire can be prevented from falling under alien control. We now proceed to discuss the policy which should be adopted as regards the participation of aliens in commercial and industrial occupations in this country.

147. In our opinion it would not be desirable that any special restrictions should be imposed on aliens generally in this connexion. We are satisfied that the absence of such restrictions in the past has on the whole been to the advantage of this country, especially as regards the freedom of investment of capital, and we would draw attention in particular to the importance of British interests in foreign countries which might be seriously harmed by any retaliatory measures. There is also the danger that an example set by the United Kingdom in this direction might be followed by certain other countries which have already shown a tendency to impose restrictions of a similar kind on British enterprise.

148. There are however a limited number of cases in which restrictions or safeguards of some kind will in future be necessary, but, while it may be requisite in a few special instances to impose strict restrictions, we are of opinion that as a rule adequate security can be ensured by requiring disclosure of the facts.

149. We think for example that Pilotage Certificates should be granted to British-born subjects only, and that the profession of Patent Agent should be confined to British-born subjects, in view of the special opportunities which these occupations afford for the obtaining of information affecting national security.

150. It is also a matter for consideration whether Foreign Commercial Travellers operating in the United Kingdom should not be registered, in order that the extent of their activities may be known, and it might possibly be expedient to require them to hold licenses for which fees would be charged, which could be remitted in the case of travellers representing firms of such countries as do not impose dues on British Commercial Travellers.

151. In our report on Essential Industries we have recommended that financial assistance, if given from public funds, should be confined to firms which are entirely British in character.

152. As regards foreign ownership or control of land or mineral resources we recommend that registration of title to real property should be made compulsory over the whole of the United Kingdom and that such registration should involve a declaration of the nationality of the owner or transferee.

153. In view of the importance of not discouraging the investment of foreign capital in this country and of the special danger of retaliation or the adoption of a similar policy by foreign countries generally in respect of similar British interests in foreign countries, we think that it would be unwise to impose any widespread restrictions in respect of the holding of real property generally, but the information obtained by such registration would enable the Government to decide whether in any particular case national security required the expropriation of foreign interests and might also be used, if it appeared expedient in any case, to secure reciprocity of treatment for British interests abroad.

154. Our attention has been called to the difficulty which has been experienced during the war in ascertaining whether a company registered under British limited liability laws is in fact British in character, and it has been suggested that every limited company should be required to include in its annual return to Somerset House a statement of the amount of its stock or shares held by or on behalf of aliens, together with a statement of their nationality. It has been pointed out to us however that in order to obtain this disclosure it would be at least necessary to prohibit the issue in this country of what are known as "bearer securities." Even if this course, which we are not prepared to recommend, were adopted, we have formed the conclusion after careful inquiry that reliable information could not be secured in many cases without elaborate investigations, if at all, and we think that the general requirement suggested would involve an amount of trouble and expense both to the Government and to British Companies which would be altogether disproportionate to the results obtained. We recommend however that the Board of Trade should have the power to make such an investigation in the case of any particular company in which on grounds of national safety foreign control might be undesirable and in which there is *prima facie* reason for suspecting its existence to an undue extent.

155. We have given particular attention to the position of the agencies or branches of Foreign Banks and Insurance Companies in this country. We think that it would be unwise to enter on a policy of checking the establishment or continuance of such institutions, but that it is desirable to guard against the danger of their being used for political or other purposes not strictly in connexion with trade, and we recommend therefore that they should be required in future to take out annual licences (for which a small fee should be paid to cover the administrative expenses involved). The Government should have power to withhold, or in extreme cases to revoke, such licenses if the institutions are used for improper purposes, or, if necessary, in order to secure reciprocal facilities for British institutions abroad. We further recommend that foreign insurance companies should be required to make a deposit proportionate to the business done by them.

156. We desire to add that close attention should be given by the Inland Revenue authorities to the importance of securing that foreign banks do not evade the payment of the British Income Tax.

157. We consider that at any rate for a period after the war it will be necessary to impose special restrictions upon the subjects of the present enemy countries. We suggest that this can best be done by means of stringent permit and police regulations. It may be desirable for example that during the reconstruction period permits should only be granted to present enemy subjects for short periods and on specified grounds, and that the holders should be required to report themselves to the prescribed authority at regular intervals. The nature and duration of this control must depend largely on the peace settlement and the attitude of the present enemy Governments and their subjects after the war.

158. If control on the lines indicated in the preceding paragraph be adopted, we do not think that, except possibly for a short period in special cases, it will be practicable to attempt to prevent present enemy subjects from establishing agencies, or holding interests in commercial or industrial undertakings generally, in this country. Any such measures, if attempted on any considerable scale, or for any length of time, could probably be evaded by the employment of agents of other nationalities. In particular we think that, in view of the importance of maintaining the financial position of London and of the complicated nature of international trade, it would be impracticable and inexpedient to impose any restrictions or discriminations as regards the use of London credit. Similarly we are satisfied that the attempt to prohibit the use by present enemy subjects of London insurance and reinsurance facilities, while it might cause them some temporary inconvenience, could only be made effective after the war by means of far-reaching restrictions upon, and Government interference with, all foreign insurance business, if not its total prohibition. Any such measures could only result in shifting the international centre and would inflict serious loss, not only upon the London market, but upon the country as a whole.

CHAPTER VII.

Industrial and Commercial Organisation.

159. It is apparent from the Reports of the Departmental Committees appointed by the Board of Trade, and from other evidence which has been before us, that in spite of the achievements of British manufacturers and traders in building up the great fabric of our industry and commerce, and notwithstanding the strength of the United Kingdom's economic position, there is a widespread feeling that a reconsideration of our industrial and trade organisation has become necessary in consequence of the increasing intensity of foreign competition, and the lines on which it is conducted. That competition is based largely on a system of combination in respect of production and distribution which has hitherto made comparatively little progress in the United Kingdom.

160. It has been pointed out in Chapter II of this Report, which surveys the position of British Industry and Trade before the War, that in this country any particular branch of manufacture is carried on, generally speaking, by a great number of separate concerns, acting independently and usually in acute competition one with another, often operating only on a small scale but yet producing an extensive range of patterns. Firms competing on these lines are in many cases unable to pay adequate wages or to obtain sufficient capital for necessary improvements or developments. Marketing is also done on independent lines, either by the manufacturing concerns themselves directly or through agents, or by merchant firms. The consequent increase of costs either involves higher prices than would otherwise be necessary or results in uneconomical trading. In the two countries which have become our principal competitors in the world's markets—the United States and Germany—and in a lesser degree elsewhere industry and trade have come to be largely controlled either by powerful concerns, frequently resulting from the consolidation of a number of undertakings, and operating on a very large scale, or by combinations of manufacturers which, whilst falling short of consolidations, nevertheless aim at the organisation and regulation of production, and the restriction of competition among themselves both in the home and foreign markets. The objects of both forms of combination are essentially the same, though the lines of approach are different; and the pooling of interests facilitates the development of standardisation, the concentration of the manufacture of particular commodities in the works where they can be most economically produced, the elimination of the economic waste resulting from the dispersion of the efforts of an individual concern over a wide range of commodities or patterns, the scrapping of less efficient plant, economies consequent upon the consolidation of management, and more enterprising methods of foreign trade than are practicable for a number of isolated concerns.

161. From the evidence before us it appears that British manufacturers and merchants as a class are not disposed to doubt their ability to maintain and extend their business, if they are left untrammelled; there is of course a real danger that consolidation and combination may not only tend to diminish that individual initiative and enterprise to which the progress of British manufacture and industry has been largely due, but may also be carried to a point at which it becomes inimical to the general interests of the country as a whole; and in some branches of production and distribution there may be, and probably is, little need for any substantial changes in organisation. Nevertheless there is a considerable body of opinion, with which we are in general agreement, that the individual manufacturer and merchant will find it increasingly difficult to keep abreast of technical progress and to meet effectively the competition of the powerful foreign consolidations and combinations to which we have referred, operating as these do under a single guidance and with great financial resources. It is in our view necessary that in some important directions the individualistic methods hitherto mainly adopted should be supplemented or entirely replaced by co-operation and co-ordination of effort in respect of (1) the securing of supplies of materials, (2) production in which we include standardisation and scientific and industrial research, and (3) marketing.

162. We propose accordingly to consider in the present Chapter the form and extent of such industrial and trade combination as has hitherto existed in the United Kingdom, the lines on which combination may be developed, and the attitude which should be taken up by the State in regard thereto.

163. The industrial and trade organisations established in this country before the War, apart from Employers' Associations and Federations formed primarily for joint action in respect of wages and other labour questions, have been mainly of two kinds:—(A) associations constituted for the purpose of watching over the general interests of particular industries and trades or groups thereof, in respect to such matters as proposals for legislation, domestic or foreign, likely to affect the trades, railway rates and shipping freights, forms of contract, credit, the compilation of special statistics and information, and in some cases the discussion of technical questions: and (B) combinations of which the principal object is the regulation of trade, particularly in the matters of prices and output. The associations included in the first group may occasionally be used for the latter purposes, but their action in this respect is generally only incidental, and is rarely very effective or lasting.

164. (A) *Associations for general trade purposes.*—Apart from the Chambers of Commerce, which are organised upon a local and not upon a trade basis (though the two are in some cases almost identical) associations for general trade purposes are fairly numerous in the United Kingdom. Examples, of varying degrees of importance are the Iron, Steel and Allied Trades Federation; the

British Electrical and Allied Manufacturers' Association; the Society of Motor Manufacturers and Traders; the Flax Association; the Silk Association; the Paper Makers' Association; the Agricultural Engineers' Association; the Oil, Paint and Varnish Trades Federation; and the United Tanners Federation, though there are many others. Some of these have done, and are doing, very useful work, but it will, we think, be generally admitted that the majority of the Associations of this class do not command the active and constant interest of their particular trades as a whole, and are not regarded either within or without the trades as really authoritative exponents of the views of those engaged in them. In many branches of British industry no such associations exist at all.

165. The weakness of the associations has we think been due both to the practical absence of any kind of official recognition, to a certain indefiniteness of purpose, and to the reluctance of manufacturers and merchants, engaged in active competition among themselves, to pool their information, whether technical or commercial. In important branches of production (especially the iron and steel, engineering, chemical and some of the textile trades) the action of the Ministry of Munitions has brought about a measure of co-operation which may diminish the spirit of mutual distrust which was formerly prevalent, and the policy of the Department of Scientific and Industrial Research, in promoting the formation of trade Research Associations, will we hope have a similar effect. But the movement towards fuller co-operation must in our opinion come from within the trades themselves; real community of purpose may be encouraged, but it is not likely to be created, by Government action. It is in our judgment very desirable that in all important British industries there should exist strong, comprehensive, and well-organised associations which should be clearing-houses of information of common interest and should be competent to voice the opinions and needs of their respective trades as a whole. We think that the Government might well encourage the formation of associations of this character by treating them, when satisfied as to their representative character and efficiency, as the channels of communication with their respective trades in the distribution of official commercial information, and as the authoritative exponents of the opinions of their trades in all matters in which they are likely to be affected by legislative or administrative action.

166. (B) *Combinations for the Regulation of Trade.*—Combinations formed primarily for the regulation of trade may be either permanent or terminable. The former, which may conveniently be termed "consolidations," have been both "horizontal," *i.e.*, consolidations of concerns engaged on the same stage of the production of a particular commodity or on approximately corresponding stages in respect of a number of allied products; and "vertical," *i.e.*, consolidations of concerns engaged in succeeding stages of production. Both classes of permanent consolidations have been constituted in a variety of ways, as by the formation of a new company to acquire a number of existing enterprises, the interchange of shares and the consequential absorption by one company of a number of its competitors, or by the formation of inter-locking directorates. Whatever may have been the precise methods adopted, they all result in the creation of a close community of financial interest. The actuating motive in the case of horizontal consolidations has in some instances been simply the restriction of competition; in others it has been the reduction of economic waste by the substitution of large scale production and distribution for the operations of a number of small concerns. In the case of vertical consolidations the dominant reason has generally been the desire to secure control of supplies of raw or semi-manufactured materials at the lowest possible cost.

167. Horizontal consolidations have been fairly numerous in British industry. They are most conspicuous in certain branches of the textile trades (the spinning of fine cotton yarns, linen thread and sewing cotton, cotton and woollen bleaching, dyeing and printing, and wool-combing), in the manufacture of such diverse commodities as heavy chemicals, soap, cement, tobacco and wall-papers, in coal-mining, and in oil seed crushing. In the iron and steel and other metal trades they are infrequent. Vertical consolidations, on the other hand, have so far been confined as a general rule to the coal, iron and steel, engineering and shipbuilding industries, where they have made some amount of progress in recent years.

168. The terminable combinations, which may conveniently be called "combines," are organisations, established for a definite period and requiring formal renewal, or established for an indefinite period and terminable upon due notice; the agreements upon which they are based, and which are often of a very informal character, have been usually restricted in the United Kingdom to a small range of products in each case, and to a narrow object; and there is not necessarily any financial inter-dependence, or even direct community of interest, between the parties of any particular arrangement. The combines may be formed only for control of prices; or they may seek to attain this end less directly by regulating output; or they may determine both prices and output; or finally, in addition, they may undertake the actual marketing of their members' products. It is obvious that, if the last-named stage of development is reached, the individual members of the combine are left with only the financial and technical management of their works; but it is important to observe that they do retain this measure of independence and, if they become financially strong enough, can break away from the combine by giving notice of withdrawal or refusing to take part in its renewal.

169. Combines in the United Kingdom have very rarely reached the last stage indicated above, and as a broad general statement it may be said that they have as a rule been formed in each case by a quite small number of firms engaged in the production of a narrowly limited class of goods (though many firms and companies are members of numerous combinations); that comparatively few have continued for any considerable period of time; that they have tended to limit their action to

the regulation of prices; and that their activities in this respect in any particular branch of trade have on the whole been only intermittent. There are, however, some notable exceptions to these general propositions; there are a small number of combines which are highly organised and have been in existence for a considerable number of years, and there are a very few cases in which a combine has undertaken the actual marketing of its members' products. Terminable combines of varying grades of efficiency are numerous and to be found in almost every branch of British industry. There are a large number in the Iron and Steel Trades, and they exist also in various branches of the electrical and non-ferrous metal industries, in the carpet industry and some sections of the cotton, woollen and linen trades; in respect of some products of the chemical industries; and very extensively, generally in the form of local associations, among the producers of building materials.

170. It should be noted in this place that British combinations and firms have in a number of instances been parties to international arrangements for the delimitation of markets and the regulation of prices. A well known case is that of the International Rail Syndicate and other examples relate to such diverse commodities as wire netting, aniline oil and sulphur black, some other chemical products, glass bottles, tobacco, and certain non-ferrous metals (the conventions in regard to the last-named having their centre and control in the great German Metall-gesellschaft and the other powerful German metal interests associated with it).

171. The movement towards consolidation and combination in the United Kingdom was far surpassed during the two decades preceding the war by the corresponding movements in the United States and Germany. In the former country the movement has taken the form of actual amalgamation, and a report presented to the United States House of Representatives in 1913 enumerated over two hundred consolidations of varying degrees of magnitude, with the result that a very large portion of the field of United States industrial production is dominated by powerful monopolist or quasi-monopolist consolidations. Even where in any particular branch of industry a single consolidation has not secured a monopolistic position but is exposed to competition from others, there is frequently some agreement, often unrecorded and unenforceable and dependent only on the good faith of the parties, for the regulation of output or the control of prices, or both. This is exemplified by the history of the great concerns engaged in the Meat Trade, and also in the Iron and Steel industry, where the rise of powerful companies outside the United States Steel Corporation, and the resultant acute competition, led ultimately to joint arrangements which in fact controlled some nine-tenths of the United States production of iron and steel. The adoption of the policy of consolidation in the United States has been due in part to the operation of anti-trust legislation, in part to the recognition by certain great financial houses of the large profits to be derived from the promotion of large consolidations, and in part to the conviction that the best organisation and the fullest economy of production could be obtained only by a form of association which would secure to a single directorate the technical as well as the commercial control of all the undertakings concerned, and would avoid the difficulties and trade disturbances resulting from the recurring renewals of the combinations and the struggle of the various interests involved to strengthen their relative positions. In Germany, on the other hand, though consolidations have not been absent, the form of combination which has been most generally adopted and has come to cover almost the whole field of German industry is the "Cartel," a terminable organisation formed primarily for the regulation of prices and for joint marketing abroad, but in consequence thereof undertaking (so far as is practicable with companies which retain a substantial measure of independence), the allocation of orders, standardisation, and the concentration of individual works on particular classes of products.

172. The common object of the horizontal consolidations and of the combines whose general character we have thus briefly sketched is the abolition, or mitigation, of competition, by agreements as to prices or the delimitation of markets. In some cases no doubt manufacturers have been compelled to take such action as a consequence of over-production or unrestricted competition, domestic or foreign, with the resultant unremunerative prices; and in other cases there has been a recognition of the economic advantages of large scale production, better industrial organisation and joint marketing. But it is noteworthy that very few combines in the United Kingdom have done more than aim at the regulation of prices: their main pre-occupation has been the limitation of competition. We are far from suggesting that unrestrained competition is necessarily desirable in all cases and we recognise that combinations with a view to its limitation, whilst naturally welcome to the producer, may not always be to the ultimate disadvantage of the consumer, and may present some substantial economic advantages. But there are the obvious dangers that in order to secure their position they may have recourse to undesirable practices and also be used to exploit the needs of the general community.

173. The proposals which have been brought to our notice relate, as we have already stated, to the encouragement of combinations in the United Kingdom in respect of (A) the supply of raw materials, (B) production, and (C) marketing.

174. (A) *Supply of Raw Materials.*—The Iron and Steel Trades Committee have recommended that an organisation, co-operative in character, be formed among British manufacturers for the purpose of securing supplies of suitable iron ore. It is suggested that this organisation might ultimately become the owner of large deposits or gain absolute control of them in such a way as to ensure continuous and uninterrupted supplies to the British manufacturer. The Non-Ferrous Metal Trades Committee have formulated proposals, which we understand are now under the consideration of the Government, for the establishment of a powerful national organisation—formed by a combination of the non-ferrous metal interests—to secure and market supplies. The

Engineering Trades Committee recommend that in the interests of the country firms be encouraged to work together for (*inter alia*) the purchase of raw materials.

175. In this connexion our attention has been drawn to the fact that during the war organisations have been set up in Germany, at the instigation of the Government and with full official authority, to take over the supplies of a large number of important raw materials and to regulate their distribution; and that it is understood that these organisations are intended to continue in force for some period after the war, when there is likely to be keen international competition for the replenishment of stocks. British manufacturers, who have hitherto in the main depended upon their own individual efforts or upon those of merchants for the supply of their raw materials, may therefore expect to have to encounter after the war the competition of this new form of associated action, in addition to that of the powerful foreign industrial combinations to which we have already referred and which, particularly in the case of iron and steel and other metals, have adopted the policy of purchasing mines and mineral deposits; and we doubt if in all cases they will be in a position to do so successfully unless they adopt similar methods. We are accordingly of opinion that every encouragement should be given by the Government to the formation of combinations of manufacturers and others concerned to secure supplies of materials, and that, where it appears expedient that the control of mineral deposits in foreign countries should be obtained, all practicable support should be given.

176. (B) *Production.*—The Iron and Steel Trades Committee have recommended that British manufacturers in those trades should be urged to form combinations for the purpose of laying down large and well-designed new units, for cheap production upon modern lines and for the remodelling of old plants. The Engineering Trades Committee are of opinion that manufacturers should be encouraged to work together in larger units, either by amalgamation or by joint working, by pooling of resources and by specialising production. The Textile Trades Committee recommend that, in view of the modern tendency towards larger units of production, and of the economic waste and inefficiency in competition which arise in the smaller textile industries from a multiplicity of small concerns, each making a great variety of articles upon a small scale and all making the same articles, with separate buying, producing and selling organisations, attempts should be made, where possible, either by amalgamation or by means of working agreements, to enlarge the units of production and thereby to avoid the duplication of effort which is incidental to highly diversified production on a small scale. The Electrical Trades Committee also declare in favour of the recognition of the advantages of combination among manufacturers, and the Shipping and Shipbuilding Committee direct attention to the need for effective co-operation and co-ordination of output among shipbuilders and marine engineers.

177. No positive proposals have been put before us as to the action which the State might take to encourage manufacturers to proceed in the direction indicated, except in the Report of the Iron and Steel Trades Committee, who suggest the possibility of Government financial aid for the wide extension, reconstruction and re-organisation of plants which they consider necessary. We do not feel able to make any recommendation on that particular matter, and we are of opinion that, whilst it is most desirable, and in some branches of industry absolutely necessary, if the competition of powerful foreign competitors is to be met successfully, that there should be a re-organisation of a large part of British Industry on the lines indicated by the Trade Committee to which we have referred, it is not desirable for the Government to do more than indicate its general approval of the principles thus laid down. The constructive action must come from the industries themselves, from their recognition of the need for change; and we consequently welcome the strong expressions of opinion by the Trade Committee on the subject.

178. We hope and anticipate that the movement towards increased activity in industrial research, which the Department of Scientific and Industrial Research is promoting in four distinct ways, will greatly strengthen our manufacturing industries and assist the particular development which we are now discussing. (1.) The Department is encouraging firms in the well-established industries to undertake a co-operative study of the scientific problems affecting their processes and raw materials, and is prepared to make substantial grants to Associations of firms established for the purpose with the approval of the Department. (2.) The Department is further prepared to undertake at the public cost investigations which from their nature have so wide a bearing as to make them unsuitable for effective handling by any single industry, however powerful. The many-sided problems of fuel, both liquid and solid, and its most economical preparation and use, are obvious examples of this class of work. (3.) A third matter of wide importance for the success of industry is the establishment of standards on a scientific basis, and we are glad to observe that by taking over the financial control of the National Physical Laboratory the Department are assuming the responsibility for this fundamental service. (4.) The efforts being made by the Department to increase the numbers of trained research workers are equally important. Unless larger numbers of young men and women can be induced to make research their life-work after the war, the growing interest in the scientific development of their industries which manufacturers are showing will be checked by the absence of the necessary staff of properly equipped investigators.

179. It is possible that the movement towards reorganisation for purposes of production may be favourably influenced by the co-operation among manufacturers in respect of munitions and other military and naval supplies, and in respect of scientific research, to which we have just referred; and it is likely, we think, to be facilitated by combination in respect of marketing, which we discuss below.

180. We are of opinion that if this country is to maintain its commercial position and effectively compete for its share of the trade of the world many industries must be organised on

modern lines, and often on a larger scale than has been the case in past years. While the British manufacturer was often first in the field, his original works were laid out with a view to a comparatively small output as compared with what he is turning out to-day, and he now finds it no longer possible to work economically or to make adequate extensions. In many cases it is not physically possible to increase the size of a particular works owing to its being shut in by main lines of railway, or by house property or other works, and the question for decision is whether the works are to be abandoned or carried on on their existing sites, or whether adjoining land can be acquired. Assuming that to keep up-to-date the owner must move his works on to a new site, giving scope for future development, he often comes in contact with the difficulty that it is almost impossible in this country to find a site for a large works requiring many acres which is conveniently situated with rail and water access. If he has to deal with one large landowner, he will probably be able to buy the land on fairly reasonable terms, but if the land is divided between a number of small owners it may happen that he is able to get nearly all that he requires, but that the site as a whole is spoilt by one or two persons refusing to sell at all or agreeing to sell only at exorbitant prices. Another most difficult question is the vested rights in roads and footpaths which destroy the usefulness of many of the best sites for putting up modern works. At the present time Quarter Sessions can only give leave for a road or footpath to be diverted if it can be shown that a shorter or more convenient route can be arranged; otherwise they have no power to close a footpath or road however unimportant. In the case of Railway Companies, Water Companies and similar companies it is possible to obtain powers, though often at great cost, by Act of Parliament, but as far as we are aware there is no precedent for a company which is not what may be called a "public utility company" being granted compulsory powers. It seems to us, therefore, of great importance that some authority should be set up, such for example as the Railway Commissioners, who should hold enquiry, and if they considered it in the national interest that facilities for the works should be given should have the right to grant compulsory powers for the acquisition of the land and the diversion or abolition of roads or footpaths, and fix all the conditions under which the facilities should be granted, such as the price of the land or in case of diversion of a road the site of the diversion, even if it involve a somewhat longer route, and the amount of compensation due either to the Local Authorities or private parties adversely affected by the abolition or diversion of the road. A procedure analogous to that adopted under the Provisional Order system by the Board of Trade, with confirmation by Parliament, would probably be sufficient security against arbitrary treatment of individual owners.

The Coal Trade Committee have reported that occasionally the actual development of mineral royalties, and still more frequently the economical working of the collieries, are prejudiced by it being impossible to obtain access, either surface or underground, to public railways or shipping staiths, and similar conditions apply to facilities for electric cable lines and other undertakings. It seems desirable that where an owner will not give facilities on reasonable terms there should be some judicial body for granting compulsory powers and settling the terms in accordance with the usual custom of the district. It was a recommendation of the Royal Commission on Mining Royalties, of which Lord Northbrook was Chairman, that "Owners of mineral property unreasonably debarred from obtaining access to the nearest or most convenient public railway, canal or port on fair terms, or from obtaining underground easements on fair terms, should not be left without remedy."

181. (C) *Marketing.*—The Coal Trade Committee recommend that coalowners, exporters and shippers interested in special markets should co-operate to prevent these markets from passing out of British control, and to secure satisfactory discharging, landing and transport facilities for British coal in foreign countries, where these are inadequate. The Iron and Steel Trades Committee propose that manufacturers in those trades should associate themselves for the purposes of export trade, and should form common selling organisations by the extension and consolidation of associations which already exist—such consolidation to take the form of a company limited by shares, with which agency agreements may be made by each participant whether an association or individual. The selling associations should be brought together in a single national organisation, which would necessarily undertake the distribution of orders so as to reduce the cost of production to the lowest point by keeping individual works running as long as possible on standard products. This is of course the adoption of the German "Cartel" system. The Engineering Trades Committee recommend that manufacturers be encouraged to work together for the organisation of export sales, and the Textile Trades Committee also suggest that, with a view to the reduction of the expenses of distribution incurred by individual firms in oversea markets, efforts should be made in the direction of combined representation or co-operative selling.

182. Of recent years a certain amount of co-operative action in British foreign trade has been developed, and is exemplified by the British Engineers Association, various combinations of non-competing firms for joint representation in some selected foreign countries, and the action of a few trade associations in undertaking systematic enquiries into the conditions and prospects of trade in special markets. We think that the Government might advantageously encourage action of the kind last mentioned and that for this purpose the fullest possible assistance and co-operation should be given by the new Department of Commercial Intelligence.

183. The establishment of joint selling organisations, such as are suggested by the various Trade Committees, involves the regulation of prices and some control of output. Their formation for export purposes would undoubtedly make possible a more vigorous and systematic handling of some branches of overseas trade than there has been hitherto, though in saying this we do not wish to imply any adverse criticism of the work of British merchant houses or to overlook the very

effective organisation which prevails in certain trades; but it can hardly be doubted that the formation of combinations for export trade would react on the home market and that the creation of combinations for control of domestic sales—which, as we have shown, are already numerous—would be largely stimulated. We believe, however, that such development is not only desirable in some cases, but is practically inevitable under modern economic conditions, and we think that the attitude of public opinion, of local authorities and of the State, which broadly speaking has hitherto been more or less avowedly antagonistic to the very principle of combination, must be modified.

184. Whilst we are of opinion that combinations of workpeople are beneficial to industry and should be encouraged, we also think that the interests of Labour will not only not be prejudiced, but will derive advantage from the encouragement of combinations or associations of Employers on the lines we have indicated. Any united effort among employers which results in increased efficiency of production, or in the better and more economical distribution and marketing of the products of machinery and labour, or in greater financial stability, must ultimately be for the benefit of the worker, as calculated to provide a wider and more constant market, to secure steadier employment and even to increase the demand for labour. Further, experience seems to prove that, so far from associations of employers for trade purposes adversely affecting the wages of the workers, they supply organisations for the more complete investigation and discussion of rates of wages and conditions of employment, secure more uniform treatment of these questions within an industry and generally exercise a steadying influence which leads to a higher level of wages and better conditions of employment than could otherwise be obtained. Broadly speaking, any united policy pursued by employers which promotes the efficient organisation of an industry must develop increased financial strength within that industry, and in this increased financial strength the workers will share. So far, therefore, from the interests of employers and workers being antagonistic in this matter, they are, in our opinion, very largely identical.

185. The attempts made in certain foreign countries and British Dominions to establish State control of industrial monopolies of any kind have been along two lines, directed respectively towards (1) judicial and administrative regulation and limitation, and (2) the securing of publicity.

The most conspicuous example of efforts at the prevention or regulation of monopolist combinations, whatever their precise form, is furnished by the anti-trust legislation of the United States of America, and it cannot, we think, be argued that that legislation has so far met with any very substantial measure of success. The frequent enactment of new legislation on the subject, the very prolonged administrative enquiries and judicial hearings in important cases, the difficulty experienced by the Federal Government in obtaining judgments in its favour in suits instituted by it against combines, and the admitted fact that the formal dissolution of combinations, under order of the Courts, has only led to the establishment of informal and secret understandings of a hardly less effective character, all suggest in our opinion that it would be inexpedient for His Majesty's Government to enter upon any policy aiming at positive control, particularly in view of the practical difficulty of defining the point at which combination can be regarded as contrary to public interest.

186. The alternative policy, which aims at assuring the fullest possible publicity of the facts as to the existence of industrial combinations, has been adopted in Canada. The Combines Investigation Act, 1910, provides that, on declaration being made to the High Court by any six persons that a combine exists and that prices have thereby been enhanced or competition has been restricted to their detriment, the High Court may order a Board of Investigation to be appointed, if it appears (1) that a combine exists which is either injurious to trade or operates to the detriment of producers or consumers, and (2) that the public interest warrants an investigation. The Board so appointed consists of a representative of the complainants, a representative of the combine, and an independent chairman. The findings of the Board, which has no power except to enquire and report, are published in the Government Gazette. In the United States efforts have been made to secure publicity by the establishment in 1903 of the Bureau of Corporations "to investigate the organisation and conduct of corporations and combinations, &c., engaged in interstate commerce (except common carriers), in order to give information to the President and to enable him to make recommendations to Congress." In 1914 a Federal Trade Commission was established with (*inter alia*) similar powers of investigation, and with authority to require companies, &c., to make annual and special reports.

187. We think that, if serious efforts are to be made by British manufacturers and traders to organise themselves on the lines recommended by the various Trade Committees, which we have set out above, it is desirable that some means should be devised for securing to a responsible Government Department adequate information as to any combinations so formed, and that provision should be made for State investigation in special cases. We believe that this would be advantageous to the combinations themselves, since the knowledge that a power of investigation did exist and could be brought into operation wherever adequate cause was shown, would be likely to have a moderating effect upon public opinion. We think that the experience of the war has shown that it is particularly desirable that information as to all international combinations affecting the production of goods in the United Kingdom, or the restriction of the markets in which they may be sold, should be in the possession of some Government Department. On the other hand it is in our judgment of great importance that Government intervention in or control of the operation of combinations should be carefully restricted to cases in which those operations can be clearly shown to be inimical to national interests.

188. It has been represented to us, by the Federation of British Industries amongst others, that any substantial progress in the direction of marketing combinations is dependent upon a revision of the law in this country as regards associations. It is urged that it is "absolutely essential

either that the law in regard to 'restraint of trade' should be so amended that the ordinary objects of associations, such as the regulation of prices or output, become legal objects, and associations are consequently able, as in Germany, to enforce their rules in this respect upon their members, or else some other legislation having the same effect, such as the conferring of a special legal status upon associations, should be passed." We approve of combinations amongst manufacturers. All such combinations should, where necessary, be legalised, so as to be enforceable between members. We think that combinations, to be useful to the trade of the country, should be upon lines aimed at co-ordinating production, promoting efficiency, economising waste, promoting home trade, facilitating export trade, and unifying selling arrangements. The ideal at which trade combinations should aim is the maximum of production at the minimum of cost.

189. We accordingly recommend:

(*a*) That it should be a legislative requirement that all international combinations or agreements (or combinations or agreements which are made directly or indirectly on behalf of foreign interests) to which British companies or firms are parties, made for the regulation of the prices of goods or services, or for the delimitation of markets, should be registered at the Board of Trade by the British persons, firms or companies concerned, with a statement of the names of all the parties thereto and of the general nature and objects of the combination or agreement; and that all modifications of such agreements and all adhesions and withdrawals should also be notified.

(*b*) That it should be optional for the parties to any combination or agreement between British firms having for its object joint marketing arrangements, either in the United Kingdom or abroad, or the regulation of prices or output, or the delimitation of markets, to register such combination or agreement at the Board of Trade, with a statement of the names of the parties thereto, and as to its general nature and object; and that such steps as may be necessary should be taken to make any price or other marketing arrangements made by or resulting from combinations and agreements so registered enforceable at law as between the parties thereto.

(*c*) That, in order that the Board of Trade may be able to keep itself fully informed as to the nature, extent and operations of industrial combinations in the United Kingdom or of international combinations of which British firms, companies or associations form part, that Department should have power to call upon individual consolidations or combines from time to time to furnish for its confidential use such information as it may require.

CHAPTER VIII.

Finance and Industry.

Financial Facilities.

190. We have had before us the Report of the Committee appointed by the Board of Trade under the Chairmanship of Lord Faringdon to investigate the question of financial facilities for trade. That Committee distinguished between banking facilities which can be provided without a "lock up" such as would impair the liquidity of funds and deposits at call and short notice, and financial facilities which involve a longer currency. They came to the conclusion that the machinery for finance alike of home trade and of large overseas contracts and for carrying through much of the business done by foreign banks already exists to a considerable extent in this country. They expressed the opinion, however, that there has been a want of co-ordination in our arrangements, and they recommended the creation of an Institution independent of Government control which should fill the gap between the Home Banks and the Colonial and British-Foreign Banks and Banking Houses, should develop facilities not provided by the present systems, and in particular should meet the demand for longer credits than Banks can normally give and afford special assistance at the inception of new undertakings.

191. As a result of the recommendations of the Departmental Committee the British Trade Corporation has been set up under Royal Charter, with a capital of £10,000,000, and a first issue of £2,500,000 was made recently. Its general objects will be to assist the development of British trade and industries, to procure for British manufacturers orders in connection with new overseas undertakings, and to finance contracts in connection therewith.

192. We have had the advantage of hearing further explanations from Lord Faringdon as to the work which the Corporation will undertake. It will not endeavour to compete with the business of existing British banks and merchants, and it will not accept deposits at call or short notice, except from parties who are proposing to make use of its overseas facilities. Its aim will be to assist with the co-operation of banks and other institutions the inception of new undertakings, and for this purpose it will promote the formation of syndicates and the placing of issues. When British capital is raised by its means for overseas enterprises, it will seek to secure that orders in connection with new undertakings are placed in this country. It will pay special attention to the study of new schemes, and for this purpose it will develop an Information Bureau with representatives abroad which will keep in touch with the Department of Commercial Intelligence

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of the Board of Trade. It will also be ready to give financial assistance to arrangements for promoting the better organisation of British industries.

193. Reference is made by a number of the Special Trade Committees to questions of financial facilities for trade. The Textiles Committee report that on the whole all reasonable facilities are provided for the textile trades in respect of the importation of raw materials, manufacture and the export trade by existing banks and financial institutions. Some witnesses, however, alleged that German distributing houses in Russia, the Levant, Central and South America have been enabled to offer extended terms of credit by the support of the German banks and that that support rested ultimately upon the readiness with which bills endorsed by those banks were discounted in the London market. The Textiles Committee state that, if extended credit becomes an established practice in important markets, means must be found, either by our existing banks or otherwise, to provide facilities to British exporters and merchants at least equal to those which have been afforded to German merchants.

194. The Engineering Trades Committee state that evidence has shown that much of the competition which this country meets with in its endeavour to supply goods abroad is due to the lack of credit which is given to foreign purchasers. The Engineering Committee do not consider that the Joint Stock Banks can reasonably be expected to provide the capital for financing this trade, and they agree that there is ample room for such an institution as the British Trade Corporation. They attach great importance to the establishment of a Financial Intelligence Department in connection with the Corporation as likely to prove of great assistance to the expansion of British enterprise, both at home and abroad.

195. The Engineering Committee also recommend that money raised in this country from the British public for the purpose of carrying on engineering work abroad should within certain limits carry with it an obligation to spend a reasonable proportion of the money in the purchase of British goods, subject to proper protection being afforded to prevent the British investor being exploited by the British manufacturer. A recommendation on similar lines is also made by the Committee on the Iron and Steel Trades.

196. The Committee on the Electrical Trades point out that the business of electrical manufacturing is, perhaps, more dependent than any other industry on the help of a powerful financial system, in view of the fact that its activity is mainly connected with enterprises involving a temporary capital lock-up of considerable magnitude. They do not consider that facilities of this nature, which have been thoroughly organised in Germany, exist in this country in an adequate degree, and they strongly recommend the establishment of industrial banks for the purpose. They add that such institutions, assisted by the advice of expert assessors, would help to protect the public against unsound speculative ventures, and would exercise a profound influence in placing industrial enterprise on a stronger financial basis.

197. The Committee on Shipping and Shipbuilding, in their Interim Report on Shipbuilding and Marine Engineering, express the opinion that the support afforded by financial institutions to British Shipbuilders and Marine Engineers has been fairly good for home business, but they state that some German builders, supported by their banks, have undoubtedly been willing to take greater risks in promoting their foreign business than British Shipbuilders were prepared to take, and they concur in the view that a British trade bank or banks, formed with Government support to give credit over longer periods than British banks usually do, would greatly assist in maintaining and extending British industries abroad. The Shipping Committee express the hope that the needs of the situation will be met to a considerable extent by the establishment of the British Trade Corporation.

198. We agree with the opinions expressed by the Departmental Committees to which reference has been made in the foregoing paragraphs that there is room for an institution or institutions, the object of which is to co-ordinate and supplement previously existing financial facilities, and we welcome the establishment of the British Trade Corporation on the lines indicated above. We note that the Corporation, while created under Royal Charter, will not receive any subsidy or guarantee from public funds.

199. Representations have, however, been made to us in favour of a closer association of the State with the provision of financial facilities for trade. We may refer in particular to proposals which have been placed before us from the British Empire Producers' Organisation for the establishment of an Imperial Bank of Industry, with a capital of £40,000,000, guaranteed as to one half by the United Kingdom and as to the remaining half by the self-governing Dominions and certain Crown Colonies in various proportions. The Bank would accept deposits, and its object would be the furtherance of production and industrial development throughout the British Empire. It is proposed that its management should be under the charge of trustees appointed by the respective guaranteeing States.

200. We are unable to recommend the adoption of this scheme. The establishment of a State institution on such lines would in the end lead inevitably to extensive Government interference with the actual conduct of trade. Recent experience has shown that, while in certain directions existing banking institutions may with advantage be supplemented, they have upon the whole been prudently and efficiently conducted in private hands, and in our opinion the financial needs of British industry are likely in normal circumstances to receive better examination, and to be met in a more elastic and effective manner under private banking enterprise than by means of an institution directly or indirectly controlled by officials of the Government of the United Kingdom or other parts of the Empire.

201. We recognise, however, that during the period immediately following the conclusion of the war the abnormal conditions may necessitate special measures. There will be an urgent demand for capital for the re-establishment of industry on a peace basis, and the satisfaction of this demand will be profoundly influenced by the policy adopted by the Government in regard to taxation, the currency and the maintenance of the foreign exchanges. In these circumstances we recommend that the policy to be adopted immediately after the War by the Government in regard to these questions should be the subject of early enquiry by the Treasury in consultation with representatives of banking and commerce. The precise measures which may be necessary must be determined finally upon expert advice in the light of the actual circumstances as they arise. We have only to say that, while there will no doubt be pressing demands for expenditure in many directions for reconstruction purposes after the War, we consider it undesirable as a general rule that the State should itself attempt to provide capital for industrial purposes. Such a general policy would, in our opinion, be likely in the long run to be detrimental to private enterprise. The shortage of capital caused by the War can be cured only by increased production and by savings. The primary objects of State policy in this connexion should be so to adjust the burden of taxation after the War that no avoidable checks are placed upon production, and, so far as possible, to promote conditions of confidence and security for private investment. With these points we deal more fully in paragraphs 205–211 below.

202. There may be cases in which, while reasons of public policy call for immediate action, the conditions for private investment on a sufficient scale may not exist immediately after the War. In such cases, for example, as the provision of better housing it will, we think, be necessary for the State itself to assist in providing the necessary funds. We take the opportunity of observing in this connexion that, while we have not regarded the investigation of housing questions as within the terms of our reference, we have been impressed in the course of our enquiries with the urgent importance to the future industrial development of the country of the provision of increased and improved housing accommodation for the working classes on a considerable scale.

203. Our attention has been specially directed to the question how far the control of capital issues should be continued after the war. At the present time restrictions are imposed upon all issues in the United Kingdom, whether for foreign or domestic purposes, and apply equally to private enterprises and to loans for municipalities or foreign governments or states. We think it desirable that, except possibly in regard to the last-mentioned loans, complete freedom from Government control should be restored as soon as possible. The development of British export trade is intimately bound up with the free investment of British capital in our overseas markets. As already indicated in chapter VI. we do not think it possible or expedient that any attempt should be made to regulate the use of British credit generally, but it will, in our opinion, be necessary to retain, for a period at any rate, the control now applied in the case of capital issues on behalf of foreign Governments or States. Such issues should be considered in the light of public policy and should be subject to such conditions as may be thought fit. The question whether in this limited class of cases control should be continued for a longer period should be reconsidered hereafter in the light of experience before a final decision is arrived at.

204. If the policy which we suggest in regard to this matter be approved by His Majesty's Government we recommend that the detailed arrangements necessary should be considered by the Treasury in the manner already indicated in paragraph 201 above.

Industry and Taxation.

205. As we have indicated above the remedy for the shortage of capital caused by the war must be sought mainly in an increase of production and of saving. The extent to which this increase can be obtained will be appreciably affected by the financial policy of the State. The first step in this direction must be to check all unnecessary and wasteful expenditure on the part of the State itself, and we are glad to note that increased attention is now being paid to this urgent necessity by the setting up of a Committee of the House of Commons to investigate national expenditure. Apart from this point the position will be materially affected by the methods of taxation adopted to raise the revenue required for meeting the cost of the war. Wasteful consumption can be directly checked by the imposition of duties of Customs and Excise and licence duties upon luxuries. In our opinion taxes of this nature should be spread over a considerably wider field than at present and should be judged upon their merits as checks upon consumption as well as by the amount of revenue produced by them.

206. The most important permanent instrument of taxation both from the point of view of revenue and as regards its effect upon production and the scale of personal expenditure will, however, continue to be the Income Tax. In this connexion attention should be drawn to the observations of the Special Committees upon the inadequacy of the allowances for depreciation and wear and tear now allowed by the Income Tax Commissioners, regard being had to the importance for efficient and economical production under modern conditions of the frequent replacement of old plant. The Textile Trades Committee recommend that in making allowances the Commissioners should take into account the circumstances of each industry—for instance the length of time machinery is run during the 24 hours—and should sanction larger allowances, if in fact depreciation is written off at higher rates in the books of the firms. They point out that the same question arises in a lesser degree in the case of factory and workshop buildings.

207. The Shipping and Shipbuilding Industries Committee in their Report on Shipbuilding and Marine Engineering state that the usual rates now allowed for depreciation (in which, as they

point out, obsolescence is nowadays the most important factor) vary from 5 to 7½ per cent. and in rare cases 10 per cent. on the decreasing value of machinery and plant, while the experience of the most successful firms shows that it is often necessary to put aside a sum up to 100 per cent. in excess of that allowed. The Departmental Committee recommend that in ordinary peace time not less than 15 per cent. be allowed for depreciation on the decreasing value of machinery and plant and 7½ per cent. on the decreasing value of docks, wharves and similar fixed structures and buildings.

208. The Iron and Steel Trades Committee found manufacturers unanimously of opinion that the allowances now made for depreciation are quite inadequate to modern conditions of working in the iron and steel industry, and they urge that the allowances should be heavily increased, and should be calculated upon the efficient working life of plant and machinery.

209. The Engineering Trades Committee also agree that the usual rates of 5 to 7½ per cent. are far too low to be attributed to depreciation in these progressive days where the frequent replacement of old plant by improved machinery is an essential of successful trade and where the introduction of high speed steel has so largely increased the running speed and wear of machines. The Engineering Committee consider that up to 10 per cent. for day use and up to 15 per cent. for day and night use should be allowed, if, in fact, such a charge is made in the books of the firm or company against its profits. They add that a reasonable depreciation upon workshop buildings should also be allowed.

210. We are informed that under section 12 of the Customs and Inland Revenue Act, 1878, the matter is one for the several bodies of Income Tax Commissioners, who are directed to "allow such deduction as they may think just or reasonable as representing the diminished value by reason of wear and tear during the year of any machinery or plant." The only limit upon the amount which may be allowed is that contained in Section 26 (2) of the Finance Act, 1907, which provides that the deduction in any year, when added to deductions allowed in previous years, may not exceed the actual cost of the machinery or plant, including any capital expenditure by way of renewals, improvements or reinstatement. No depreciation is, however, allowed in respect of buildings except the statutory allowance of one-sixth from the rack rent value to cover maintenance and repairs. The Departmental Committee on the Income Tax of 1905 recommended (Cd. 2575) that the law should be amended in order to enable an allowance to be made in the case of owner occupiers of trade premises, but their recommendation does not appear to have been carried into effect. We are of opinion that depreciation should be allowed for Income Tax purposes on an adequate scale according to the circumstances of each case, and we recommend that immediate steps should be taken for this purpose by the Treasury.

211. We understand that the Government have already undertaken to set up an inquiry after the war into the Income Tax generally. In view of the high level at which the tax now stands, and is likely to continue to stand, and its far-reaching effect upon industrial reconstruction we urge that such an inquiry should be instituted at the earliest possible date, and we think that the principles upon which the Income Tax is now based should be reviewed from the foundation, with a view to enabling the State to raise by means of the Income Tax at least as large a revenue as at present with less individual hardship and less damage to productive industry. The inquiry which we recommend should include consideration of the Death Duties, which from this standpoint are a necessary corollary of the Income Tax.

CHAPTER IX.

Fiscal Policy.

212. In the decade immediately preceding the outbreak of the present war the question of the maintenance or modification of the general fiscal policy pursued by the United Kingdom throughout the nineteenth century was a matter of acute party controversy, and we cannot conceal from ourselves that in formulating any proposals on the subject we are running the risk of a revival of controversy on the old lines. Such a revival would be a very real disaster if it caused any serious cleavage in the nation and thereby tended to accentuate the difficulties of reconstruction after the war. Those difficulties will in any case be very real, and the last thing we desire is to suggest any course which might run the risk of increasing them in any way. A reconsideration of the whole problem is, however, made inevitable by the fact that, whilst the economic strength of the country has so far borne with remarkable success the strain upon our material and financial resources resulting from an unparalleled war, certain defects in, and dangers to, the great fabric of British trade and industry have been revealed; and by the further fact that in our opinion those defects and dangers can be removed, and their recurrence guarded against, only by a fresh examination of what has hitherto been our national fiscal policy. We have endeavoured in our consideration of this very difficult subject to avoid so far as possible any renewal of pre-war discussions on general principles, to have regard only to the best interests of the nation, and to base our conclusions upon unprejudiced examination of the actual facts of the situation in the light of the experience of the past three years, with a view to the framing of a practical policy which will be likely to obtain the support of at least the great majority of the people of this country.

213. The following propositions as to the bases of future British economic policy in this respect will, we believe, meet with general acceptance:—

(1) Some Governmental action should be taken to promote and safeguard the development in the United Kingdom of industries of a special or "pivotal" character (*i.e.*, industries on which other and larger branches of industrial production of substantial national importance are dependent), or which, whilst essential for munitions purposes, are not of sufficient commercial importance to ensure their development without such State assistance.

(2) Some Government assistance should be given to industries, other than those mentioned above, which are important for the maintenance of the industrial position of the United Kingdom, where such assistance is proved to be necessary because of the inability of the industries to maintain or develop themselves by reason of undue foreign competition, inadequate supplies of raw materials, or any other causes.

(3) A serious attempt should be made to meet the declared wishes of the Dominions and Colonies and of India for the readjustment and development of their economic relations with the United Kingdom.

(4) An effort should also be made to develop trade between the British Empire and our Allies.

(5) Subject to agreement with our Allies in the matter, present enemy countries should not, for a time at least, be allowed to carry on trade with the British Empire in the same unrestricted manner as before the war, or on terms equal to those accorded to Allies or Neutrals.

214. The problems to which reference is made under (1) and (2) in the preceding paragraph—the establishment and maintenance on an adequate scale of certain special branches of production, and the maintenance and development of other important industries—though closely connected, are nevertheless separable, and the lines of policy to be adopted are not necessarily the same in the two cases. Measures adequate in the latter case might in the former have to be supplemented or replaced by other forms of state assistance, varying with the circumstances of each particular industry. We have already made recommendations as to the measures which should be adopted in the case of a select number of "key" or "pivotal" industries, and have suggested the establishment of a Special Industries Board to be charged with the general duty of watching over and framing schemes, when necessary, for the promotion of industries of this special kind.

215. With regard to other industries, the terms of our reference require us to consider specially what industries are essential to the future safety of the nation, and what steps should be taken to maintain or establish them. Obviously the whole range of the industrial production of the United Kingdom cannot be included within the category, and if the test of the advisability of State action is to be the importance of the industries, to which it is applied, for the promotion and security of the economic resources and industrial well-being of the nation, there is clearly a considerable number of industries which would be excluded. Nevertheless the list of industries which would certainly fall within the definition is a lengthy one—including, as it must, for example, the heavy iron and steel trades, and numerous branches of the manufacture of iron and steel goods; the engineering trades, including electrical and motor engineering; the production of a considerable number of non-ferrous metals and ferro-alloys; ship-building; many branches of the chemical trades; the textile trades almost as a whole; the manufacture of various classes of rubber goods, especially tyres; and the leather industries.

216. Between these various industries themselves there are great differences of conditions and needs, and each requires separate and detailed examination. As appears from the survey made in Chapter II. of this Report there are some which do not make a request for any State assistance in the form of tariff protection; in the case of some of those which do ask for that particular form of aid, the present position is largely due to ill-advised legislation (the electrical and motor industries are illustrations of this); whilst in others there are admittedly serious defects in management, organisation and equipment which may be largely responsible for their weakness in the face of foreign competition, though it is proper to say that it is contended that inability to remedy these defects is in some cases due to the lack of attraction to capital owing to the unrestricted violence of that competition. In some industries this competition is persistent and regular; in others it is only occasional, and its depressing effect is due to the resultant uncertainty under which the British industry has to be carried on. Whether regular or occasional, the competition from abroad may be the result of greater cheapness of production, or superiority in quality, or of both these causes; or it may take the form of "dumping," not infrequently with a view to the weakening or overthrow of the British industry.

The Prevention of "Dumping."

217. There is a general consensus of opinion among the Departmental Committees appointed by the Board of Trade in favour of some measures to prevent "dumping," by which we understand the sale of goods in a particular market at prices lower than those at which the goods are currently offered in the country of manufacture. The view is strongly held that the frequent "dumping" of any particular class of foreign goods produces a feeling of insecurity in the corresponding industry of this country which diminishes the incentive to development, and that in certain cases the "dumping" by foreign combinations has been the expression of a persistent policy aiming at the depression of some British industries and the prevention of the establishment of others. It is of course impossible in every case to prove the truth of this latter suggestion; but we see no reason to doubt that there is at least a *primâ facie* ground in support of it.

218. Legislation directed against the importation of goods at "dumping" prices is in force in the Dominion of Canada, where Section 6 of the "Customs Tariff Act, 1907," provides that—

"In the case of articles exported to Canada of a class or kind made or produced in Canada, if the export or actual selling price to an importer in Canada is less than the fair market value of the same article when sold for home consumption in the usual and ordinary course in the country whence exported to Canada at the time of its exportation to Canada, there shall, in addition to the duties otherwise established, be levied, collected, and paid on such article, on its importation into Canada, a special duty (or dumping duty) equal to the difference between the said selling price of the article for export and the said fair market value thereof for home consumption; and such special duty (or dumping duty) shall be levied, collected, and paid on such article, although it is not otherwise dutiable;

"Provided that the said special duty shall not exceed 15 per cent. *ad valorem* in any case."

219. This provision, which, it is important to observe, relates only to goods of a class or kind made or produced in Canada, does not apply to goods subject to duties equal to or exceeding 50 per cent. *ad valorem*, or to goods of a class subject to excise duty in Canada; or to cases where the difference between the selling price to the importer in Canada does not exceed 5 per cent. of the "fair market value." It is laid down in the Customs Regulations that the "fair market value" is to be estimated on the usual credit basis, except when the article is universally sold in the country of export for cash only; that the "export price" or "selling price" means the exporter's price of the goods; that a *bonâ fide* discount for cash of 2½ per cent., when deducted by the exporter on the invoice, may be allowed; and that provided the goods have been shipped in ordinary course after purchase, the amount of any advance in the "market value" of the goods between the time of purchase and the date of exportation to Canada shall not be subject to special duty. It is difficult to estimate the deterrent effect of a provision of this kind—the amount of the "anti-dumping" duties collected (which averaged about $70,000 a year for the period 1908–15) is of course no criterion; but there is a very general belief that the measure has been successful, and we are informed by the Board of Trade that the Canadian Customs Authorities, who rely largely on information as to suspected "dumping" of goods furnished to them by Canadian manufacturers, are understood to experience little difficulty in its working.

220. An Act recently adopted in the United States, entitled "An Act to increase the Revenue and for other purposes" contains the following provisions against "Unfair Competition":—

"Sec. 600. That when used in this title the term 'person' includes partnerships, corporations, and associations.

"Sec. 601. That it shall be unlawful for any person importing or assisting in importing any articles from any foreign country into the United States, to commonly and systematically sell or cause to be sold such articles within the United States at a price substantially less than the actual market value or wholesale price of such articles, at the time of exportation to the United States, in the principal markets of the country of their production, or of other foreign countries to which they are commonly exported, after adding to such market value or wholesale price, freight, duty, and other charges and expenses necessarily incident to the importation and sale thereof in the United States: Provided that such act or acts be done with the intent of destroying or injuring any industry in the United States, or of preventing the establishment of an industry in the United States, or of restraining or monopolising any part of trade and commerce in such articles in the United States. Any person who violates or combines or conspires with any other person to violate this section is guilty of a misdemeanour, and, on conviction thereof, shall be punished by a fine not exceeding $5,000, or imprisonment not exceeding one year, or both, in the discretion of the court. Any person injured in his business or property by reason of any violation of, or combination or conspiracy to violate, this section, may sue therefor in the district court of the United States for the district in which the defendant resides or is found or has an agent, without respect to the amount in controversy, and shall recover threefold the damages sustained, and the cost of the suit, including a reasonable attorney's fee."

221. There is some difference of opinion among the various Trade Committees as to the relative merits of the above-quoted legislative enactments of Canada and the United States, and the lines on which legislation having a similar object should proceed in the United Kingdom. The United States enactment is so recent (1916) and has come into force at such an exceptional time, that there has been no experience of its working; but we are inclined to think that though the enactment has the advantage that it puts the responsibility of decision upon a judicial tribunal and not, as in Canada, upon an administrative authority, the requirement of proof that any "dumping" had in fact been done with intent to destroy or injure an industry in the United States, or prevent the development of an industry, may seriously limit its effect. The continuance of the "dumping" of a particular commodity over a long period might be held to be *primâ facie* evidence of such intent, but during the lapse of the necessary period considerable if only temporary damage might be done to the corresponding United States industry.

222. It has been suggested to us that a more appropriate measure would be the prohibition or even confiscation of the goods attempted to be "dumped," and the further suggestion has been made that any shipowner carrying "dumped" goods should be required to carry them back, as is the case in the United States in respect of undesirable immigrants. We do not consider, however, that such drastic measures would be expedient, though there may be special cases in which temporary prohibition might be necessary, and on the whole we recommend that legislative action for the prevention of "dumping" be taken in the United Kingdom on the lines (though not necessarily in the precise form) adopted in Canada, but we see no reason why the "anti-dumping" duty

should be restricted, as in that Dominion, to 15 per cent. We think it should be equivalent to the full difference between the "selling price" and the "fair market value," however large that difference may be. Having regard to the fact that traders in this country will be generally interested in bringing evasions of the law to the notice of the authorities, we do not think that any elaborate official organisation will be required to carry out the object in view. We recommend that the Board of Customs and Excise should co-operate in the matter with trade organisations in this country and with the officers of the Department of Commercial Intelligence abroad.

Further Measures of Fiscal Policy.

223. It is probable that in a number of cases the operation of an "anti-dumping" duty would give all the security that is necessary, but we recognise that in other cases further measures of assistance may be and probably are requisite to assist industries of national importance against the competition of foreign manufacturers operating on a much larger scale, or to secure new branches of production which have developed during the war and which it is expedient should henceforward be carried on in this country.

224. It has been urged in many quarters that the simplest method of securing the objects which we have set out at the commencement of this Chapter—the promotion of "pivotal" or other special industries, the safeguarding and development of other trades recognised as of substantial national importance, the preferential treatment in trade matters of the British Dominions and Colonies, the extension of our economic relations with our present political Allies, and the penalisation of the trade of our present enemies—would be the establishment of a comprehensive tariff scheme covering the whole range of imports into the United Kingdom, and worked out on the general lines adopted in other great industrial countries. The establishment of such a comprehensive tariff, which would necessarily at the outset be of a comparatively simple character but could be gradually elaborated, would, it is suggested, make it possible for His Majesty's Government (1) to leave free of duty on importation essential food stuffs and absolutely raw materials, (2) to impose moderate duties on all other commodities on bases varying with their place in the scale from raw materials to completely finished goods, (3) to reduce or remit altogether the duties so imposed in order to give preference to the products of the British Dominions Overseas, (4) to negotiate new commercial arrangements with our Allies and possibly with present neutrals on the basis of reciprocal reductions of customs duties; and (5) to impose surtaxes on goods of present enemy origin. It is admitted that a tariff which should fully attain all these objects could only be evolved gradually, but it is urged that the first steps—the imposition of a wide range of tariff duties based on a simple scale and with all-round reductions or even complete remission in favour of the British Overseas Possessions and all-round reductions to the advantage of our Allies—could and should be taken forthwith, and a tariff on these lines prepared which should come into force immediately on the conclusion of the war. A subsidiary argument put forward in support of such a tariff is that it would be of appreciable value as a source of revenue.

225. It has been suggested that this course of procedure presents certain distinct advantages, and in particular that it would enable action to be taken, and a provisional measure of protection afforded to British industry, with a minimum of delay, and would allow of the gradual elaboration of such detailed tariff scheme as might become requisite. It is also from the administrative standpoint the simplest and most convenient course. Extended to all manufacturing industries, it obviates the invidious task of selecting those to which protection shall and those to which it shall not be afforded, and the proposal which has been placed before us in this connection that a low uniform duty should be imposed upon all manufactured imports would make the task of establishing a tariff little more than mechanical.

226. There are on the other hand weighty arguments against the establishment of such a comprehensive tariff as is suggested:—

(1) A claim for protection cannot, in our opinion, normally be regarded as valid, unless the industry which makes it can show either that in spite of the adoption of the most efficient technical methods and business organisation it cannot maintain itself against foreign competition, or that the attainment of such maximum efficiency is impracticable, owing to the feeling of insecurity and the inability to attain a sufficiently large scale of production in face of competition from abroad. Among the industries which ask for protection by means of customs duties, there are some which are admittedly deficient in technique and equipment and defective in management and organisation, and in regard to these there is some danger that the grant of the desired protection might result in the stereotyping of inefficient methods.

(2) There are some large branches of production, of which the main branches of the cotton trade are conspicuous examples, in which there is no demand for any measure of protection.

(3) There are a number of industries engaged in the production of commodities which are in the nature of luxuries, or at least non-essentials, and we are of opinion that, whilst these may properly be made the subject of duties imposed for the purpose of raising revenue or checking the consumption of luxuries, there is no sufficient ground for the imposition in their case of duties primarily intended to be protective. The primary object of State policy should be the development of industries of importance to the national security and wellbeing, such as those which we have discussed in Chapter V., and the great staple industries of the country, and any State action directed towards the indiscriminate maintenance of a number of industries which do not contribute appreciably or at all towards the increase of the national wealth would, we think, be economically unsound.

(4) The general tendency of import duties is in the first instance to raise prices, this being the way in which they primarily stimulate production. Their effect in this direction will, as a rule,

vary with the intensity of the public demand for goods of any class subject to protective duties and the proportion of the dutiable to the non-dutiable supplies, and in so far as they may stimulate and cheapen production from non-dutiable sources, they may gradually bring about a decline in prices. But at the outset they must raise prices, and though it may be in the national interest to pay a somewhat higher price for commodities in order to have a measure of security against the cutting off or shortage of supplies in time of war, or to prevent the establishment of a monopoly in the hands of foreigners in time of peace, it appears to us that, both on general grounds and particularly having regard to the high level of prices likely to prevail for some time after the War, any State action likely to raise prices, even temporarily, for any commodities of national importance should be confined within the closest possible limits.

(5) Regard must, moreover, be had in this connection to the great importance of maintaining British export trade in neutral markets. Competition in those markets, particularly in the Far East, will, after the war, inevitably be severe; but the representative merchants who gave evidence to us expressed confidence that, upon the whole, British trade would be able to hold its own as soon as existing restrictions are removed, provided that the cost of production in this country is not unduly increased as compared with the cost of production in competing countries, and they urged that, so far as possible, any Governmental action which might have the effect of raising the prices of export commodities should be avoided.

It must also be borne in mind that the re-export trade of the United Kingdom amounted in the years 1909–13 to no less than £107 millions annually on the average, and that, however elaborate a system of drawbacks might be devised, it would be difficult under a comprehensive tariff to avoid the placing of hindrances upon this important branch of British Commerce.

(6) We deal in later sections of this Chapter with the suggestion that a comprehensive tariff is necessary for the purpose of giving preferential treatment to India, the British Dominions and Possessions, and our Allies, and also for purposes of negotiation with foreign countries. It will be sufficient to say in this place that we think that a more limited tariff could be used equally well, though not so extensively, for the accord of preferences, that the trade between the United Kingdom and the British Empire overseas can be promoted by other means also, and that a tariff for negotiation is a two-edged weapon which is not as effective as is frequently supposed.

227. After the most anxious and careful consideration of all the arguments, we have come to the conclusions—

(1) that protection by means of customs duties should be afforded only to carefully selected branches of production which must be maintained either for reasons of national safety or on the general ground that it is undesirable that any industry of real importance to our economic strength and well-being should be allowed to be weakened by foreign competition or brought to any serious extent in this or other ways under alien domination or control, and

(2) that such protection should not in any case be accorded until a searching examination has been made into all the circumstances of the branch of industry by a competent and independent authority, which should take into consideration the sufficiency of other measures to secure the object in view.

In paragraph 215 above we have drawn attention to the important industries which will require consideration in the light of these principles.

228. In recommending the form of assistance which we think may fairly be tendered to those branches of British trade which, during the period of reconstruction and probably later, may properly require Government help, we have borne specially in mind the paramount importance of not entering upon any course of policy which may prejudice or injuriously affect our large export trade, upon the increasing volume of which the prosperity of the nation so largely depends.

229. The period immediately following on peace will be in many ways critical. Not the least important consideration will be the restoring of the foreign exchanges and the elimination of the adverse balance of trade which has grown up against the country during the war. To effect this essential result exports must be encouraged in every way, whilst all unnecessary imports must temporarily be discouraged.

230. Whatever may be the position with regard to the Empire as a whole, it is certain that this country is not, and cannot be, self-contained and self-sufficient. We rely, and shall, we think, continue hereafter to rely even more than in the past, upon imported raw materials. For the purpose of this consideration it is of little moment whether those raw materials are derived from within or without the Empire. The fact remains that the raw materials of our staple industries are mainly derived from abroad, and come to our manufacturers charged with the cost of long distance freight. The exports of this country, with the exception of coal, are, in the main, those of manufactured goods, and in nearly all our exports we have to face the competition of Germany and the United States,—in a lesser degree that of France and Belgium; whilst in the future the competition of Canada, and especially of Japan, will have to be reckoned with. Whilst the United States is in the position of being self-supporting as regards the raw materials of some of its staple trades, Germany, like ourselves, is largely dependent upon imported raw material.

231. In the economic competition after the war, whilst organisation, the granting of credit, and efficient management will be important factors, the controlling factor of all, in our opinion, will be the ability of the exporting nation to manufacture and export its products cheaply. By this we mean that all elements of high-class production shall be available at bedrock prices, without any avoidable addition of imposts, freights or interest charges.

232. Whilst Europe as a whole may be said to be divided into settled fields of international competition, where local circumstances, convenience of transport, and suitability of production for local needs, have become the controlling factors, there remain vast markets still practically untouched for the future development of the exporting nations of the world. China, with its 400 millions of population, an old and industrious civilisation, must in the near future develop its already great and growing demands for products of our staple trades. There are great potentialities in India and there is also the demand of Siberia and the smaller Far Eastern countries, which are likely in future to afford profitable markets.

233. It is true that in this sphere the competition of Japan will have to be increasingly reckoned with, but we have no doubt that with a rise in the standard of living of the Eastern peoples there will come a corresponding increase of the quantity and improvement of the quality of the goods demanded. This development cannot fail to be of advantage to British industry, and for this reason, if for no other, we desire to emphasise the importance of all measures, including particularly the rapid extension of railways, likely to promote the economic well-being of India.

234. Whilst the demands of Africa may not at the moment be considered of paramount importance, it is in our judgment reasonably certain that the coming half century will witness a great increase in trade, and a growing capacity for consumption, in that continent.

235. For the immediate future the attention of exporting countries must in addition to China be directed to Central and South America,—countries with an advancing civilisation, and with growing demands for commodities. Especially for the hardware and textile trades all these countries would seem to offer an exceptional field, as they are not manufacturing nations, and in all probability they will necessarily have to purchase the major portion of their requirements for many years to come. In these markets we shall necessarily meet the competition of other nations.

236. For all these reasons we feel very strongly that no recommendation of ours must in any way hamper or imperil the growth of our export trade, so all-important to this country.

Imperial Preference.

237. It is obvious that any tariff which is to be used to any considerable extent as a means of reciprocating the preferential treatment accorded by the British Self-Governing Dominions to the Mother Country, and as the basis for a scheme of inter-imperial preferences, could not be limited to manufactured or semi-manufactured commodities, but would have to be extended to a wide range of foodstuffs and possibly even raw materials. To illustrate this we may point out that of the value of the imports into the United Kingdom in the last normal year, 1913, 36 per cent. represented Articles of Food, Drink, and Tobacco ; 52 per cent. represented Raw Materials and Articles mainly Unmanufactured; and only 12 per cent. Articles wholly or mainly Manufactured, and Miscellaneous Goods. It is true that in Canada industrial development is taking place with some rapidity, owing in large measure to the influx of United States capital and the establishment of works owned or controlled by United States industrial corporations, and that elsewhere in the British Self-Governing Dominions, and in India, local manufactures of appreciable importance are growing up, but in the great majority of cases a considerable time must elapse before they become serious factors in respect of external trade. As regards the imposition of duties on foodstuffs there are at present such duties levied in the United Kingdom for revenue purposes on tea, coffee, cocoa, sugar, tobacco, wine and spirits, and we have already recommended, in our Resolutions addressed to the Prime Minister on the 2nd February, 1917, that these should be utilised for the purpose of giving a first measure of Colonial Preference. We have also recommended that preferential treatment should be accorded to the British Oversea Dominions in respect of any other Customs Duties which may hereafter be imposed in the United Kingdom. We note that the policy of the Government in regard to the supply of wheat and oats has been settled for some years to come by the provisions of the Corn Production Act, and in these circumstances and having regard to the position which is likely to prevail immediately after the war, we have not thought that any useful purpose would be served by our considering proposals for the establishment of a wider range of duties on essential foodstuffs.

238. In regard to the supply of materials for industry, those imported into the United Kingdom from the Dominions and other parts of the British Empire are, as a general rule, in a very elementary stage of treatment, and so not suitable subjects for import duties according to the general practice of countries having protective tariffs. Where, however, the British Empire supplies or becomes able to supply to the United Kingdom materials for industry which have advanced beyond the most elementary stage (as, for example, refined metals) which are also supplied by Foreign Countries, we think the advisability might well be considered of imposing some small duty on the imports from Foreign Countries, whilst leaving the imports from the British Empire free—provision being made for a comprehensive system of drawbacks in respect of goods manufactured wholly or partly from such imported materials and exported from the United Kingdom. The range of imported materials in respect of which such a policy of preference could be applied is, however, not likely to be considerable in the near future.

239. We desire to direct attention in this place to the expediency of considering measures of Imperial Preference other than the imposition of differential customs duties, as, for example, Government contracts to purchase for a term of years at guaranteed minimum prices part or the whole of the output of materials of great industrial importance (a course already adopted in the case of Australian zinc concentrates and refined spelter) or financial assistance from the Home Government towards the development of Imperial resources, as in the case of Canadian nickel.

Commercial Relations with the Allies.

240. It has been urged upon us that the Resolutions of the Paris Economic Conference offer the basis for a permanent economic pact between ourselves and our present political Allies. We must, however, point out first that the scope of the Permanent Measures provided for by the Paris Resolutions is very limited; and, secondly, that the international position has undergone very important modifications since we commenced our enquiry.

241. In respect of *permanent* economic policy the Paris Resolutions contemplate only (*a*) measures to develop and secure supplies of essential raw materials and manufactured articles, with a view to independence of present enemy countries, the particular measures to be adopted to this end being left to be determined by each Allied Country; and (*b*) provision of improved transport facilities for the interchange of Allied products. The independence aimed at in respect of supplies is independence of enemy countries, not of neutrals.

242. In considering the extent to which the Resolutions can form the basis of a comprehensive inter-Allied economic arrangement, it is necessary to bear in mind that those Resolutions, so far as they relate to measures to be taken during the transitional period and after the war, have not been ratified by all the Governments represented at the Conference. Further, Roumania, which entered the war at a later date, has not so far adhered to the Resolutions, but the most important modification of the position has been caused by the entry of the United States into the war on the side of the Allies. We have no official information as to the attitude of the United States Government towards the policy embodied in the Paris Resolutions and are therefore unable to form an opinion as to whether the support of that Government is likely to be obtained for penal measures directed against the trade of the Central Empires, or whether the United States would enter into any arrangement which could be regarded as differentiating against neutrals.

243. Between the Allies themselves there are conflicting commercial interests which call for very careful handling. The present political situation may and should be taken as an especially favourable opportunity to foster and extend our trade relations with the Allies. It is, however, a question how far a temporary community of political interests—and even the long duration of such a community of interests as we may hope for in some cases—can in itself afford a secure basis for a permanent commercial policy.

244. The position is further complicated by the action of a number of States, neutral at the time of the Paris Conference, in breaking off their political relations with the Central Powers. Of the total importations into the United Kingdom in 1913 from other than present enemy sources some five-sixths came from the British Oversea Possessions or from countries which are either actively engaged in the war on the side of the Allies or have severed their relations with our enemies. The remainder of the imports came mainly from the small number of European neutrals, and in view of the extraordinarily difficult position in which some at least of these nations have been placed by the war, and the danger of driving them into an economic alliance with the Central Powers, we doubt the justice or expediency of discrimination against them. If, however, on the one hand all the Allied and pro-Ally nations of the world are to have a claim to preferential treatment, and there is to be no differential treatment of those European countries which, whatever their sympathies may have been, have remained neutral throughout the war, the only countries left to be discriminated against are our present enemies, and this object can be fully achieved by the simple imposition of duties upon all goods imported from present enemy countries, a course which we recommend.

The Tariff as a means of Bargaining.

245. As regards the suggestion that a comprehensive tariff might afford a means of bargaining with Foreign Countries and thereby of diminishing the obstacles which the policy generally adopted by those countries with a view to promoting their own industrial development has placed in the way of the expansion of our own foreign trade, we are disposed to think that there is a tendency to exaggerate the utility of a tariff to any one country in obtaining a reduction of the tariffs of other countries. It is a common experience that both sides to an approaching negotiation start by raising their tariff rates to levels higher than are actually held to be requisite for their respective economic interests, so as to have ample margin for negotiations, and it is rare that the discussions have ended in the reduction by either side of rates below those previously in force, unless such reduction had in fact been decided upon from the first. We do not doubt that in some cases the power of making concessions is a means of obtaining them; but this possibility of using a tariff for purposes of negotiation does not by itself appear to us to be adequate reason for the imposition of a wide range of Customs duties in the United Kingdom. The main factor to be taken into consideration is in our opinion the security of British industries in the home market; but reductions of such duties as may be levied for that purpose might properly be made where expedient in order to obtain reciprocal concessions from foreign countries.

Commercial Treaties.

246. We have had under our consideration the general question of the Commercial Treaties to which the United Kingdom is a party, and the advisability of action in the direction or modification of those Treaties. The position may be summarised briefly as follows:—

(1) No Commercial Treaty existed between the United Kingdom and Germany prior to the war—the United Kingdom enjoyed complete "most favoured nation" treatment in Germany in

customs matters by virtue of a biennial law, and in other commercial matters there was no discrimination against British companies or subjects; the Commercial Treaties between the United Kingdom and Austria-Hungary and Bulgaria were of course terminated by the war. The position in Turkey was anomalous, in that the trading rights accorded under the capitulations to British subjects and the subjects of certain other Powers were unilateral. If, therefore, His Majesty's Government should be in a position, on the conclusion of the war, to refuse in accordance with Resolution B. II of the Transitory Measures of the Paris Economic Conference, to enter into any arrangement conferring most favoured nation rights on Germany, Austria-Hungary and Bulgaria, there would be no obstacle to the imposition of differential duties on goods originating in those states and imported into the United Kingdom. Success in the war would also enable the Government, in co-operation with the other Allies, to re-impose on Turkey the regime of the Capitulations, with such modifications as may be found expedient.

(2) As regards the Allied States United Kingdom goods are entitled to most favoured nation treatment in France by a legislative enactment and not by treaty right (customs duties were excepted from the scope of the Anglo-French Commercial Convention of 1882, which guarantees reciprocal most-favoured-nation treatment in all other matters). With Belgium our commercial relations are regulated by a *modus vivendi* of 1898, and commercial treaties on the basis of reciprocal most-favoured-nation treatment are in force between the United Kingdom and Italy, Portugal, Russia, the United States, Japan, Roumania, Serbia, and Montenegro. Whilst, however, the European nations have always held that the right to most-favoured-nation treatment is always unconditional (in the absence of express stipulations to the contrary), *i.e.*, that any concession made by one of the contracting parties to a third party (whether in return for a special concession or not) must forthwith be extended, without consideration, to the other contracting party, the United States has never, as we understand, accepted this doctrine.

(3) As regards the Neutral States in Europe, there are modern commercial treaties, on the usual basis of the reciprocity of general most-favoured-nation treatment, between the United Kingdom and Switzerland and Greece. In the case of Denmark, the United Kingdom is entitled by the Treaty of 1670, confirmed in 1814, to the treatment accorded to the most favoured nation other than Sweden; our treaty with Sweden and Norway of 1826 was on the customary lines, and though the dissolution of the Union in 1905 was claimed by His Majesty's Government as affording them the right to examine the position *de novo*, the treaty has in fact been continued in operation. Our commercial relations with Spain are regulated by an exchange of notes of 1894, which provides for a most-favoured-nation régime, terminable at any time by notice on either side. The treaty in force with the Netherlands limits the general principle of most-favoured-nation treatment by providing that a contracting party shall not grant any favour in matters of commerce and navigation to the subjects of a third state which shall not be at the same time extended to the subjects of the other contracting party, gratuitously if the concession to the third state shall have been gratuitous, or on the giving of as nearly as possible the same equivalent if the concession shall have been conditional. The doctrine of "conditional" most-favoured-nation treatment thus laid down is that which, as already mentioned, has been adopted by the United States.

(4) Outside Europe we have Commercial Treaties of various dates, providing for reciprocal and unconditional most-favoured-nation treatment, with the Argentine, Bolivia, Colombia, Honduras, Mexico, Nicaragua, Paraguay and Venezuela; those with Costa Rica and Liberia give only the right to conditional most-favoured-nation treatment.

247. It has been urged upon us that it is desirable, and indeed necessary, that His Majesty's Government should take immediate steps to denounce all our existing Commercial Treaties, in order to carry out the Resolutions of the Paris Economic Conference, to enable Preferential Treatment to be accorded in tariff and other commercial matters to our Allies in return for concessions on their part, and generally to clear the way for a series of new economic arrangements.

248. As regards the first of these points we are satisfied, and we understand that it is also the view of the Government, that there is nothing in the Paris Resolutions, directed as they were solely against Enemy states, which would necessitate the denunciation or modification of our existing commercial arrangements with neutral countries. The only Resolution which might involve such action is that which binds the Allies to conserve their material resources for their own purposes during the transitional period after the war. If that policy could be carried out only by means of differential export duties it would be incompatible with the maintenance of our existing treaties with neutrals; but it may, we think, be held that the temporary use of other methods could not reasonably, in the abnormal circumstances, be regarded as a violation of the treaty rights of neutrals.

249. If a policy of protective duties, on however limited a scale, should be adopted in the United Kingdom, there would, we think, be general agreement that the opportunity should be taken to endeavour to negotiate mutually advantageous arrangements with those of our Allies who are willing to do so. The two main methods by which preferential treatment in Customs matters could be accorded to the Allies are thus described in a Memorandum on Commercial Treaties furnished to us by the Board of Trade:—

"(1) It would be possible, after the establishment of a general tariff, to maintain *all* our existing commercial treaties in force, but to grant to each of the Allies reductions of the general tariff rates of duty in respect of classes of goods in which they are particularly interested, those classes of goods being so selected that the reductions would be of no practical use to the other States to which they would be nominally extended by virtue of the most-favoured-nation clause in their treaties.

"(2) Alternatively, it would be possible to denounce the commercial treaties with neutrals, or such of them as are important from this point of view, and to give to the Allies an all-round

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reduction, not necessarily uniform, of the general tariff rates, thus establishing maximum and minimum tariffs somewhat on the French model, except that presumably there would be for British Possessions a still lower scale than the minimum tariff, and for enemy goods a surtax on the maximum tariff.

"The first of these methods would follow the German practice; the second is that which France has adopted."

250. The second method thus indicated would involve the denunciation of a number of commercial treaties with neutral states. The treaty with Switzerland, and most of those with neutral countries outside Europe, require twelve months' notice of termination; the Spanish Agreement is subject to six months' notice; the arrangements with Sweden and Norway could probably be cancelled at any time; but on the other hand the Argentine and Danish treaties contain no provision for denunciation, and can presumably only be altered by mutual agreement. In order, therefore, to carry out a policy of the kind now under discussion, immediately after the war it would be necessary for the Government to initiate at an early date steps to put an end to our existing arrangements with those countries. Other countries, such as the Netherlands, would, of course, be, or would regard themselves as being, unfavourably affected by the new policy. Such action on the part of the United Kingdom would certainly tend to strengthen the suspicions entertained by Neutrals that the Resolutions of the Paris Conference aimed at the creation of an economic "bloc" of the Allies directed against Neutrals as well as present enemies, and would, in our judgment, be inexpedient on that ground alone. It is obviously inadvisable to give any assistance to the attempts which Germany is making to induce Neutrals—particularly in Europe—to enter into closer economic relations with her. And such action would politically be still more ill-timed when neutral nations are becoming more and more disposed to break off relations with the Central Powers.

251. It may be suggested—in fact, we understand that the suggestion has actually been made by the French Government—that the difficulty to which attention is drawn in the preceding paragraph might be met by the denunciation by the Allies of *all* their Commercial Treaties with Allies and Neutrals alike, so that the United Kingdom might start with a clean slate. The object of this proposal is presumably to mitigate neutral fears by showing that the Allies are not discriminating between themselves and the Neutrals. There is the preliminary difficulty that the treaty with Japan cannot be terminated before 1923, and that with Portugal has only recently been completed after many years of negotiation; but apart from this there appear to be grave objections to the course proposed:—

(*a*) We doubt if it is likely to allay the fears of neutrals, and it might have an unfortunate political effect upon them and certain of our Allies at the present time.

(*b*) It must also be borne in mind that the denunciation of treaties establishing our right to most-favoured-nation treatment (a right which is not limited to customs duties, but extends to many other matters affecting trade and commerce, and also to navigation) might in some cases deprive this country of valuable rights which it might not be easy to recover in every instance. Although the value of the most-favoured-nation clause in respect of customs treatment may have been diminished in some instances by modern tariff specialisation, its effect over a world-wide trade such as ours is cumulative; and in other directions it is of substantial utility.

(*c*) Finally, the revision of all our Commercial Treaties and Agreements all over the world would add greatly to the tasks and difficulties of reconstruction. Judging from the experience of other countries such a revision, especially if accompanied by discussions as to reciprocal tariff reductions, would necessitate very lengthy negotiations, and would leave British traders in great uncertainty throughout the period of discussion.

252. For these reasons we are of opinion that any action in the direction of preferential treatment of our Allies should be of a kind compatible with the maintenance of our existing Commercial Treaties, namely, the grant to such of the Allies and Neutrals as may be prepared to reciprocate, reductions from the general rates of duty in respect of such classes of goods subjected for any reason to import duties as may be of particular interest to them, those classes of goods being so selected that the reductions would be of no practical use to other states to which they might nominally be extended by virtue of the "most-favoured-nation" clause. Such a policy could probably be carried into effect by arrangements subsidiary to existing commercial treaties, and could be adopted at different times with different countries; and it would not prevent the re-examination, and if necessary, modification of those treaties as and when opportunity offered.

The Tariff as a Source of Revenue.

253. It remains for us to notice briefly the suggestion that a tariff on articles wholly or mainly manufactured would be a source of substantial revenue. The total value of our imports of articles so classed was in 1913 193¾ million £. Of this total, however, a substantial proportion (some 45–50 million £) represented such commodities as pig iron, copper regulus and unwrought copper, pig and sheet lead, tin in blocks and ingots, chemicals and dyes, undressed leather, dressed skins, strawboard and millboard, starch, farina and dextrine, crude zinc, and other goods which are in fact materials for industry, and would have to be either admitted free or subjected to only very moderate duties. An even larger proportion of the whole came from British Oversea Dominions, France, Belgium, and the United States, and on these the full general rates of duty would not be levied. A very considerable amount was re-exported in the condition in which imported, and a further amount was worked up in the United Kingdom into goods for export, and in respect of both groups an appreciable allowance must be made for drawbacks. Having regard to all these factors,

it is apparent that an average *ad valorem* rate of duty even of 10–15 per cent. would not be likely to yield more than a very few million £ a year in revenue, and a far-reaching change of fiscal policy could not in our opinion be justified on revenue grounds. It is noteworthy that of the total Customs revenue of Germany in 1913, amounting to approximately 44·3 million £, 27·7 million £ were derived from duties on food-tuffs and drink, 6·9 million £ from duties on raw materials for industry (chiefly tobacco), 1 million £ from live animals, and only a little over 8 million £ from manufactured and semi-manufactured goods (including refined mineral illuminating and lubricating oils, which accounted for nearly one-half).

Conclusions.

254. In view of the considerations which we have thus set out in detail, we have come to the following conclusions :—

1. The producers of this country are entitled to require from the Government that they should be protected in their home market against "dumping," as we have previously defined it, and against the introduction of "sweated goods," by which term we understand goods produced by labour which is not paid at Trade Union rates of wages where such rates exist in the country of origin of the goods, or the current rates of that country where there are no Trade Union rates. We recommend that legislative action be taken, in regard to "dumping" on the lines (though not necessarily in the precise form) adopted in Canada.

   We agree that it will often be difficult to distinguish between "dumping" and cheap production, and between cheap production and "sweating," but it will be the duty of our trade representatives in foreign countries to investigate and report upon these matters, and reliance must be placed upon the co-operation of manufacturers in this country, so that the operations of the Customs officials may be intelligently directed to stop these unfair forms of trading.

2. Those industries which we have already described as "key" or "pivotal" should be maintained in this country at all hazards and at any expense. No ordinary economic rules apply to the situation of these minor but important industries. They must be kept alive either by loans, by subsidy, by tariff, by Government contracts, or in the last event by Government manufacture. They will necessarily be subject to Government supervision.

3. As regards other industries, protection by means of Customs duties or Government assistance in other forms should be afforded only to carefully selected branches of production which must be maintained either for reasons of national safety or on the general ground that it is undesirable that any industry of real importance to our economic strength and well-being should be allowed to be weakened by foreign competition or brought to any serious extent in this or other ways under alien domination or control.

4. Preferential treatment should be accorded to the British Oversea Dominions and Possessions in respect of any Customs Duties now, or hereafter to be, imposed in the United Kingdom, and consideration should be given to the expediency of other forms of Imperial Preference.

5. As regards our commercial relations with our present Allies and with neutrals the denunciation of existing commercial treaties for the purpose of affording special treatment to such of our Allies or of the neutrals as might be disposed to make reciprocal concessions is unnecessary and inexpedient. But the present opportunity should be taken to endeavour to promote our trade with the Allies, and consideration should be given to the possibility of utilising for purposes of negotiation with them and present neutrals any duties which may be imposed in accordance with the principles which we have laid down above.

255. We recognise, however, that it is likely that the admission of the principle of Protection, even for a limited and carefully considered list of industries, will give rise to a widespread demand for similar assistance from other industries which will exercise an amount of political pressure which it may be very difficult to resist. We accordingly recommend :—

(*a*) There should be established some strong and competent Board to examine into all applications from industries for State assistance, to advise His Majesty's Government upon such applications, and where a case is made out to frame proposals as to the precise nature and extent of the assistance to be given, whether by protective tariff duties or in other ways. The Board, in our opinion, whilst working in co-operation with the Treasury and the Board of Trade, should be independent ; it should not be charged with any administrative duties ; it should report direct to the Crown and its Reports should be laid before Parliament immediately on being made ; and it should be its duty to place before Parliament its views as to any proposals for tariff legislation which it may not itself have formulated.

The functions of the Special Industries Board, the establishment of which we recommended in our Report on Essential Industries, might be merged in those of the Board which we now recommend.

(*b*) As a guiding principle for the work of the Board (which should have full powers to call for evidence and to inspect books) it should be laid down that the industries for which State assistance of any kind can be given should be such as are of importance to the maintenance and development of the economic strength and efficiency of the nation, or for the supply of potential military requirements.

(*c*) Before recommending tariff protection for any particular industry it should be the duty of the Board to consider forms of State assistance other than, or concurrent with, protective duties, such as bounties on production (though we doubt the practicability of this in the case of the larger industries), preferential treatment (subject to an adequate standard of quality and security against price rings) in respect of Government and other public authority contracts, State financial assistance, and also whether the position of the industry could not be improved by internal reorganisation.

(*d*) The Board should also have constantly in mind the safeguarding of the interests of consumers and of labour, and should make recommendations as to the conditions which for these purposes should be attached to any form of Government assistance, whether by means of a tariff or otherwise.

CHAPTER X.

Weights and Measures.

256. In view of the extent to which public attention has recently been directed to proposals for the reform of British Weights and Measures, we have thought it right to give very careful consideration to the subject, and we have obtained evidence and information thereon, both orally and in writing, from a number of scientific, commercial and official witnesses. Numerous suggestions for the alteration in varying degrees of our existing weights and measures have been made to us, but we do not propose to discuss these in detail. The only practical proposal apart from minor changes which can be said to command an organised body of support is that of the Decimal Association for the compulsory adoption of the Metric System in this country, and we shall confine our observations mainly to this scheme. This change has been strongly urged upon us from various quarters, but it cannot be said that there is any such general agreement of opinion in its favour among those who have studied the subject as would justify its adoption.

257. Having given very full consideration to the subject we are unable to recommend the compulsory adoption of the Metric System in this country. We proceed to give a brief history of the movement in favour of that system in the United Kingdom and to state the reasons which have led us to the foregoing conclusion.

History of Proposals for the adoption of the Metric System of Weights and Measures in the United Kingdom.

258. There were several inquiries during the nineteenth century into the question of introducing a more uniform system of weights and measures and a decimal coinage, but the movement in favour of the Metric System first became prominent as a result of the Exhibitions of 1851 and 1855 and the commercial treaty negotiations with France in 1860.

259. A Select Committee of the House of Commons appointed in 1862 arrived at the unanimous conclusion that the Metric System should be introduced "cautiously but steadily" into this country and recommended "that the use of the Metric System be rendered legal," but that "no compulsory measures should be resorted to until they are sanctioned by the general conviction of the public." The Committee also recommended that the Metric System should be used in conjunction with the existing system in the levying of Customs duties and in official statistics, and that it should be taught in elementary schools and should be a subject of examination in Civil Service examinations. They add that a decimal system of money should as nearly as possible accompany a decimal system of weights and measures.

260. In 1863 a Bill embodying the recommendations of the Committee but also making the Metric System compulsory after three years passed its second reading in the House of Commons but was not further proceeded with.

261. In 1864 the use of the Metric System in contracts was legalised, but its use in trade, *e.g.*, by a shopkeeper, remained unlawful.

262. In 1868 another Bill for the compulsory introduction of the Metric System was given a second reading on the understanding that no practical step would be taken until the report of the Royal Commission, which was then investigating the standards, had been received. That Commission in the same year recommended in their second report that the use of the Metric System should be made permissive and that accurate metrical standards should be provided by the Standards Department and by local authorities. They repeated the recommendation that it should be employed concurrently in levying Customs duties and for various departmental purposes and they expressed the opinion that decimalisation of the system of coinage would be very useful, but they did not consider that there was any immediate cause requiring a compulsory change in the existing system of weights and measures for purposes of internal trade.

263. A Bill for the compulsory introduction of the Metric System was rejected by the House of Commons in 1871.

264. In 1878 an Act was passed which consolidated the law relating to weights and measures and provided that the use of the Metric System should be lawful in contracts and that the Board

of Trade should verify Metric weights and measures if intended for purposes of science or manufacture or for any lawful purpose *not being for the purpose of trade.*

265. In 1884 the Government at the instance of the Royal Society agreed to subscribe to the Metric Convention (which it had originally in 1873 declined to join). Its adhesion was explicitly guarded by a declaration that this country had no intention of adopting the Metric System. The terms of adhesion are set forth in the Metric Convention of 20th May 1875 and the Regulations appended thereto. Since 1884 this country has subscribed annually to the expenses of the International Metric Bureau and has also paid for Metric Standards constructed and verified under the direction of the Bureau.

266. In 1887 the Chambers of Commerce began to advocate the adoption of the Metric System and from that year onwards various deputations have waited on Ministers for the purpose.

267. In 1895 a Select Committee of the House of Commons recommended that the use of the Metric System should be legalised for all purposes at once and be made compulsory after two years.

268. An Act was passed in 1897 legalising the permissive use of Metric weights and measures in trade, and in the following year effect was given to the Act by Orders in Council legalising new denominations of Metric standards and substituting a table of metric equivalents for that contained in the Act of 1878.

269. In spite of the fact that the use of Metric weights and measures in this country for all purposes of trade has thus been legal for nearly twenty years, the number of such weights and measures presented annually to Inspectors for verification and stamping is now only about one per cent. of the number of Imperial weights and measures similarly presented, and this limited use appears to arise mainly in connection with the recent legalisation of Metric carat weights and the adoption in the British Pharmacopœia of Metric weights and measures for the prescription of doses.

270. As regards compulsion the view taken by successive Ministers since 1887 has been in the main that there is no evidence that the change is desired by the great mass of retail shopkeepers and their customers, and that their opposition would probably render it quite impracticable.

271. In 1904 a Bill was introduced into the House of Lords by Lord Belhaven and referred to a Select Committee presided over by him. As reported by that Committee and passed by the House of Lords it provided that as from 1st April, 1909, every contract, bargain, sale, or dealing made or had in the United Kingdom should be according to the Metric System, subject to the following exceptions :—

(1) Existing contracts ;
(2) Contracts or dealings in respect of foreign trade if made or had according to the system of weights and measures in force in the foreign country concerned ;
(3) Measurements of land ;
(4) Customs and Excise ;
(It was found that the application of the Metric System to the Revenue Duties would involve very great difficulties which would require separate legislation.)
(5) Any trade or business which might, for the time being, be exempted by Order in Council.

(The exemptions contemplated included the cotton trade, the retail sale of liquor, and the measurement of gas.)

272. The Bill also provided that its operation might be postponed by Order in Council if "His Majesty is satisfied that the Metric System of weights and measures has not been, and will not in the near future be, adopted generally in other English-speaking countries." It was not proceeded with in the House of Commons.

273. A Bill framed on somewhat similar lines was introduced into the House of Commons by Mr. Straus in 1907, but was rejected on the second reading by 150 votes to 118. It was opposed by the President of the Board of Trade on behalf of the Government.

274. At the Colonial Conference of 1902 a resolution in favour of the introduction of the Metric System throughout the British Empire was carried. Resolutions on the subject of decimal coinage and weights and measures were brought forward at the Imperial Conferences of 1907 and 1911, being supported by Canada, Australia, and New Zealand, but, in view particularly of the attitude of the spokesmen of the United Kingdom, they were not proceeded with. The attitude of the Home Government at the latter Conference (page 35 of Cd. 5141—1911) was that they could not support the Resolution, because it implied that the suggested reform ought to be carried through: that, while it would probably be an advantage to adopt a decimal system of coinage and a metric system of weights and measures, if they had a clean slate, this was not the position—the House of Commons had rejected any such compulsory change more than once, and it would not be practicable to enforce it, at all events under existing conditions, as trade, commerce and domestic arrangements would be so seriously upset.

275. Our attention has been drawn to the fact that in 1914 a Committee of three members appointed to consider weights and measures in India (where an immense multiplicity of local weights and measures prevails) recommended by a majority the adoption in India, exclusive of Burma, of what is known as the Indian Railway System of weights based on the Maund of 82$\frac{2}{7}$ lbs. Its sub-divisions are—

180 grains = 1 tola (weight of the rupee).
80 tolas = 1 seer.
40 seers = 1 maund.

Burma already has a fairly uniform system of its own the retention of which was recommended.

The use of the British and Metric Systems was to be permissive under certain conditions.

For length and area the British yard and acre are already widely accepted as standards and their adoption was recommended.

The dissentient member of the Committee recommended the introduction of the Metric System.

Present Proposals.

276. The proposal placed before us by the Decimal Association is that after a short interval of notice the use of the Metric System of Weights and Measures should be made compulsory in buying and selling in this country in place of our existing system. This change would affect immediately, not only manufacturers, but all retail shopkeepers and their customers, the vast majority of whom know nothing of the Metric System and, so far as we can judge, do not desire it. Very strong reasons are therefore necessary to justify the cost and disturbance which would be involved.

277. The main advantages which the advocates of the change urge are saving of time in education and the conduct of domestic trade and the gain to our export trade by the international uniformity which they claim would be attained in a short time.

278. We deal below with the educational aspects of the matter. The proposed change must be judged primarily in the light of its probable effects upon British trade as a whole, and, in view of the exceptional difficulties with which trade will be faced during the period immediately following the war, special weight must be attached to the consequences which are likely to arise during that period. In our opinion it is absolutely certain that the anticipated uniformity could not be obtained for a very long period, if ever.

279. In the first place it is admitted that the demand for spare parts, replacements, &c., would make it necessary to continue manufacture, for home markets alone, on our existing system side by side with the new for a very long period, in such cases as railway locomotives perhaps for a generation.

280. Secondly, statistics show that before the War more than half our export trade was with countries which do not use the Metric System. For such countries we must continue to manufacture on our present system, and we should therefore by the change be incurring heavy cost in order to benefit our trade with Metric Countries at the expense of an equally, if not more valuable, trade with other countries.

281. The position would no doubt be materially altered if the self-governing Dominions and India and the Crown Colonies, the United States and Russia would simultaneously with us adopt the Metric System. The Dominions may be ready to do so, but there would obviously be very great difficulties in India and the Crown Colonies and African Protectorates, and the information we have received suggests that the opposition in the United States is far too strong to make compulsory adoption probable. There is further the serious objection that, if we induced the above mentioned countries to change over to the Metric System, we should be surrendering to Germany the advantage which our manufacturers now enjoy over hers both in their markets and in our own, particularly as for some years to come we should have to manufacture on both systems, while Germany would be enabled to manufacture on one uniform system for the German market and nearly the whole of her export trade.

282. Thirdly, we should get by the change in the Textiles Trade (which before the War accounted for 30 per cent. of our home manufactured articles of export) not more, but less, uniformity. In textiles British measures are widely recognised all over the world, even in Metric Countries, and in the Cotton Trade British "counts" have become the standard. By abandoning them we should jeopardize our supremacy in this respect. In the Far Eastern and Indian markets, in which British measures and British marks are regarded by native purchasers as guarantees of quality, the change would be particularly dangerous. Advocates of the Metric System would so far recognise this objection as to indicate that the Cotton Trade at any rate might be exempted from the compulsory adoption of the Metric System, but this admission largely destroys their main argument for the change.

283. It may be added that in connection with Lord Belhaven's Bill of 1904, it was found necessary, as already indicated in paragraph 271, to provide for other exemptions, including the measurement of land.

284. The cost, direct and indirect, of the change would, undoubtedly, be very great, although no precise estimate can be formed. It has been estimated, however, that the cost to retail traders of new weights and measures would alone amount to £2,000,000. The direct cost of altering machinery would obviously be much greater, and there would also be heavy loss of output due to the holding up of machinery for alteration. It has been argued that the alterations could be made gradually as and when renewals were required and new machinery was installed but, even if so, the continuance of manufacture on the existing system while the sale of the product had to be made on the Metric System would be confusing and inconvenient.

285. The foregoing objections hold good on the assumption that on the whole the Metric System is superior to British Weights and Measures. This assumption is, however, denied by many opponents of the change, particularly by representatives of the Cotton Industry. It is contended that the Metric System is not satisfactorily correlated, that the British units (such as the inch, yard, and pound) are superior, and that for practical purposes binary divisions are better than

decimal. As a unit the metre is said to be too long, the decimetre too short, the hectare too large and the kilogram too heavy. Lancashire witnesses are emphatically of opinion that the Metric System is unsuitable for cotton manufacture, and they point to the fact that in Metric countries it has to be modified for the purpose. We are informed that even in France, which has made the Metric System nominally compulsory for more than half a century, the "pouce" (or inch) is used in textile manufacture and numerous local measures still survive.

286. In referring to these considerations, we have to point out that there is no unanimity even as to the theoretical merits of the Metric System as compared with our own. The practical argument that its adoption is desirable in order to secure uniformity in the markets of the world has been shown to be unfounded. We are not satisfied by any evidence which has been brought before us that trade has actually been lost to this country owing to the fact that the use of the Metric System is not compulsory. The law now permits its use in this country wherever it is found convenient and British firms which manufacture for Metric countries can and should do so in the measures which suit those markets, as is already the practice of most large firms. But to attempt to make the use of the system universal and obligatory in this country would cause great loss and confusion at a particularly inopportune moment for the sake of distant and doubtful advantages. We are convinced that, so far from assisting in the re-establishment of British trade after the War, such a measure would seriously hamper it.

287. As regards the educational advantages claimed for the change we have been referred to a statement quoted by the Select Committee of 1895 that no less than one year's school time would be saved if the Metric System were taught in the place of that now in use. The information which we have received does not support that statement, and even if it were well founded, it must be remembered that for at least a generation children would have to learn both the new and the old measures, and how to convert from one to the other. Moreover, we are informed that during the last ten or fifteen years great changes have been carried out in Public Elementary Schools and the more modern Secondary Schools with a view to simplifying the teaching of weights and measures and confining it to tables in common use. The use of the Metric System and the application of decimals to our own working units are also taught. The extent to which these reforms have been carried out may be ascertained by reference to the text-books now in general use. We think that every effort should be made by those responsible to carry this simplification as far as possible, in particular as regards obsolete weights and measures or those employed only in special trades which can be obtained, if required, from printed tables. The curriculum of Secondary Schools in this matter is largely governed by examination requirements, and examining authorities should be careful therefore not to lose sight of the point.

288. It is often popularly supposed that the introduction of the Metric System would render possible the immediate sweeping away of many complicated and varying weights and measures. As we have already indicated, this belief is, in our opinion, wholly fallacious. It is urged, however, on the other hand that our existing weights and measures might with advantage be simplified and possibly decimalised to a greater extent than is at present the case. We do not think that compulsory legislation for this purpose would be expedient or would be likely to be effective at the present time. It is true however that in different localities and trades many varying weights and measures still prevail. Some of these are used because they are the most suitable for a particular purpose, but the use of others may often be unnecessary and due merely to custom. We have referred above to the simplification which has already taken place in the teaching of weights and measures, and we think that Government Departments and other public authorities and trade organisations should bear constantly in mind the importance of promoting a corresponding simplification in the actual conduct of trade. We would also emphasise the advantages, already widely recognised, of using decimal subdivisions of our basic units, such as the inch and the pound (weight) and of replacing, wherever possible, the present hundredweight and ton by the cental of 100 pounds and the "short ton" of 2,000 pounds.

289. Our weights and measures are capable of detailed improvements of this nature, but we are not convinced that the Metric System is upon the whole even theoretically superior to the British System, and we are satisfied that the practical objections to the proposed change are such as decisively to outweigh any advantages which are claimed for it.

CHAPTER XI.

Coinage.

290. Proposals for the introduction of a decimal system of Coinage into this country are often closely connected with the question of Weights and Measures, but the decision of the question involved must be settled upon somewhat different considerations. The schemes which have been suggested to us are even more numerous and varied than in the latter case, and we find an even greater diversity of aims and methods among the advocates of change. The majority of us are convinced that the advantages to be expected from the change are insufficient to justify the risks which it would involve, and we state below the main considerations which have weighed with us in forming this opinion.

291. The question of a Decimal Currency is, of course, no new one in this country. We print as Appendix II to this Report a Memorandum on the subject furnished by Sir John Bradbury, K.C.B., Joint Secretary to the Treasury. In view of the lucid summary of the history of this question given in the earlier portion of that Memorandum we do not repeat it here, but proceed at once to discuss the most important of the proposals for change which have been made to us.

292. We think that it may be taken as the foundation for any discussion that a decimal currency, if introduced in this country, must be based either upon the existing penny or upon the pound sterling, and we accordingly deal only with schemes which adopt one of these basic units. The dilemma which must be faced is that decimalisation means in practice the abandonment or modification either of the pound sterling or of the penny.

293. It will be observed from the above-mentioned Memorandum that so long ago as 1853 a Select Committee of the House of Commons reported that a decimal system of coinage was greatly superior to the existing system on the grounds of

(1) Saving of labour in account keeping and education;
(2) Avoidance of error;
(3) Facility of comparison of home and foreign prices.

294. The reasons put forward to-day by the Decimal Association and others are very similar, and in examining the various proposals made we have to consider how far these advantages outweigh the objections which arise from the international importance of the sovereign on the one hand and the domestic difficulties involved in an alteration of the penny on the other. It must also be borne in mind that since the Paris International Conference of 1867 the question has been largely an international one, and that during the last generation the difficulties of change have been increased by the fact that sterling has become more and more the standard throughout the British Empire. International conditions immediately after the war are not, however, likely to offer a favourable opportunity for any attempt to revive the proposals of 1867 and 1868.

295. We take first the schemes which retain the existing penny. The most interesting is that outlined by Sir John Bradbury for a British dollar of 100 half-pennies (4*s.* 2*d.*), which is a modification of Bagehot's proposal for a new pound of 1,000 farthings (£1 0*s.* 10*d.*). We should add that Sir John Bradbury informed us that he was opposed to any currency change in the immediate future, but that he looked forward to the ultimate adoption of some such scheme.

296. Under this scheme dollar notes would gradually replace existing currency notes in this country, and they would be payable in gold at the Bank of England in the form of sovereigns or mint bars at the rate of £1,000 for each bundle of 4,800 dollars. Our existing sovereigns would remain in our gold reserves except when required for the purposes of the foreign exchanges.

297. The scheme, which is more fully explained in Sir John Bradbury's Memorandum, has attraction in that it would make it possible to compare British and American prices at a glance, since the proposed dollar would only differ from that of the United States by $1\frac{3}{8}$ per cent., and it might pave the way to a unification of the two currencies. But it is without doubt open to very serious objections. It would involve the alteration of all our existing silver currency—almost as difficult a matter as an alteration of the penny. Even if the sterling-using parts of the British Empire followed suit, the new dollar would bear no relation to the rupee (the coin of India, Ceylon, Mauritius, and the East African Protectorates) or the Straits dollar, which are both based on the sovereign. And while bringing us nearer to the American system, the change would take us further from that of the Latin Union, under which 25 francs are roughly equivalent to the sovereign. What, however, chiefly weighs with us is our belief that this change would, in fact, lead to the abandonment of the sovereign as the standard and working unit of international exchange, and for this reason alone we are unable to recommend its adoption.

298. In these circumstances we do not think it necessary to refer to other schemes which are based upon the retention of the penny, since they all involve to a greater or less degree the abandonment of the sovereign.

299. We come next to the scheme placed before us by the Decimal Association and embodied in a draft bill circulated by the Associated Chambers of Commerce. This scheme while retaining the sovereign as the "essential unit of value," adopts as the unit of account the florin of 100 cents, the cent being worth 4 per cent. less than the existing farthing. The florin would no doubt be a convenient unit for ordinary domestic purposes, though perhaps scarcely as convenient as the present shilling, but, apart from the difficulties involved by an alteration in the value of the penny which we discuss later, the scheme is equally open to the objection that it in fact involves the abandonment of the sovereign, and it must on this ground alone be rejected.

300. We are strongly in agreement with the opinion expressed in the Report of the Committee of the Institute of Bankers (Appendix IV.) that no decimal system of coinage which is not based on the pound sterling can possibly be accepted by the bankers of this country and that the present pound sterling, unchanged in weight and fineness, must remain the unit of value. As that Committee state, the pound sterling is universally recognised in the settlement of international transactions throughout the world, and any abandonment, even in name only, of its use as our standard unit, would be fraught with risks which it would be unwise to incur.

301. It remains to consider the proposals for the decimalisation of the sovereign which have been put before us in slightly different forms by the Governor of the Bank of England in evidence

(*see* also Appendix III.) and by the Committee of the Institute of Bankers (Appendix IV.). We are informed that, since giving evidence to us, the Association of Chambers of Commerce and the Decimal Association have agreed to support the scheme of the Institute of Bankers.

302. These proposals, under which the sovereign would consist of 1,000 mils equivalent to the cent of the last mentioned scheme, would involve no alteration in value of our existing coinage down to and including the sixpence.

303. The change would undoubtedly be a considerable convenience to bankers and large business firms in account keeping. But it must be remembered that it is even now open to them to adopt a procedure which is already in force in many important offices, namely that of calculating in pounds and decimals of a pound and converting the result into shillings and pence. While an actual decimal coinage would appreciably simplify this process, it is important not to exaggerate its benefits.

304. Judged by the experience of other countries the sovereign is too high a standard unit, since it requires the use of three places of decimals. As pointed out by the Institute of Bankers this objection does not apply as regards large amounts, because the extra figure to the right of the decimal point is compensated by one digit less to the left of the point. But it is undoubtedly a drawback in the case of sums of less than 10*s.* which form a large proportion of retail transactions, *e.g.*, 8*s.* 2*d.* would become £·408. There is no precedent for so high a unit as the pound and it is the fact that every country which now has a decimal coinage has adopted a unit of which the tenth or hundredth gives a convenient coin for daily use.

305. The crux of the question for us is, however, the alteration of the value of the penny, and it is necessary to consider closely what this change means and what are the advantages which it offers. It would do nothing towards unifying the various subsidiary coinages of the British Empire such as the Indian rupee and the Straits dollar, and it would bring us no nearer to Canada, Newfoundland, British Honduras, and British Guiana which now use the United States dollar. It would not advance us a step towards the adoption of an international currency and it cannot, therefore, be said to have any really important bearing upon the promotion of our foreign trade. It would still be necessary for this purpose, though perhaps slightly easier, to translate our prices into foreign currencies at the varying rates of exchange, in many cases heavily depreciated, at which these will stand after the war. The proposal in fact offers little more than a purely domestic convenience in the simplification of account keeping.

306. This convenience would no doubt be considerable in the case of banks and large commercial firms, but it would offer no great attractions to the majority of smaller firms, while for the purpose of the great mass of daily retail transactions it is doubtful whether our existing duodecimal system is not practically superior to a decimal system. At any rate the former is firmly rooted in the habits of the people.

307. The Committee of the Institute of Bankers express confidence that the transition to the system proposed by them will not present any serious difficulties. They state, however, that, as regards the bronze coinage, a change in the value of the coins is necessary, and some disturbance in the small every-day monetary transactions is unavoidable. We do not think that they have adequately realised the magnitude of the disturbance which would be caused in the lives of the great body of wage earners, retail shopkeepers, and their customers.

308. In order to carry out the change it would be necessary to withdraw from circulation the existing bronze coinage and to substitute new coins of the appropriate denominations, as explained by the Institute of Bankers, who recognise that this could not be carried out until some time after the end of the war. Logically the penny should be replaced, as Lord Cunliffe proposes, by a 5 mil piece, worth 20 per cent. more. The wage earner would get 10 of such pieces for a shilling or 200 for a sovereign. The Institute of Bankers recognise, we think rightly, that such a violent change would arouse wide-spread hostility, and they propose, therefore, that for the present at any rate the penny should be replaced by a 4 mil piece, worth 4 per cent. less. While this modification of the logical scheme would no doubt soften the change, we are disposed to think that incidentally it would defeat its object. It is quite likely that for the great majority the only result would be that 12½ (new) pence would make a shilling, and that only bankers and large firms would use decimals.

309. Apart from this consideration the change would involve the readjustment of the innumerable retail transactions which are based upon the penny. Prices which are now fixed in multiples of the penny would have no exact equivalent in the new coinage. In every case either the purchaser would have to get less for his pence or the scale of prices would have to be raised. More than £19 millions of Postal Revenue were collected in 1913–14 by charges based on units not exceeding 2*d.* A loss of 4 per cent. on this amount would be nearly £1,000,000. The finance of the National Insurance Act would have to be recast, since, while the monetary benefits are paid in shillings, the contributions are calculated in pence. The same necessity would apply to railway, tramway and omnibus fares. The fact that no exact equivalent for existing rates could be fixed in these cases would cause special difficulties.

310. As another illustration of the far-reaching effect of the change, it must be noted that all hourly and piece-work wages would have to be revised. In the cotton trade, for example, wage rates rest on elaborate price lists expressed in pence or fractions of a penny. In each individual case the wage-earner must either lose or gain, and, although no doubt after elaborate negotiations a common measure would be found by give and take over the whole range of rates, the process would inevitably involve much friction and probably in some cases serious labour

disputes. While powerful associations of workmen would be able to protect themselves, unorganised labour would probably stand to lose by the change. It is not improbable that the suspicion might arise among workmen that an indirect attack was being made upon their newly-won rises of wages by means of the depreciation of the working man's coin.

311. From a social point of view it is hardly too much to say that it is at least as important to preserve the credit of the penny at home as to maintain that of the sovereign abroad.

312. We are unable to accept the argument that the change can easily be introduced during a period of great fluctuations in the real value of money. On the contrary it would accentuate the confusion by introducing a new disturbing factor at a moment arbitrarily selected, although the precise effect of that factor might be disguised. The Institute of Bankers argue that the decrease in the purchasing power of the penny has accustomed the public to such readjustments as would be necessary. But because they now accept the inevitable, under protest, it does not follow that they would tolerate a further depreciation imposed upon them by the Government. While we feel that a decimal coinage has some advantages over our present system, we are satisfied that the introduction of such a change would be inexpedient at a time when the social, industrial and financial organisation of the country will be faced with numerous and exceptional difficulties.

CHAPTER XII.

Summary of Conclusions.

The main conclusions embodied in this Report may be briefly summarised as follows :—

Chapter II.—(The Position of British Trade and Industry in 1913.)

313. (*Paragraphs* 13–92.)—In this chapter we take as our starting point a survey of the general position of British industry and Overseas trade in 1913, the last complete year of peace, based especially upon the reports of the Board of Trade Committees upon our chief staple industries.

314. (*Paragraphs* 93–99.)—From that survey we draw certain broad conclusions as to the condition of British industry and trade and the competition to which it was exposed immediately before the war. We find that in long-established manufactures, with the important exception of the iron and steel trades, British industry had shown in the decade preceding the war great vitality and power of extension, but that in the rise and expansion of the more modern branches of industrial production the United Kingdom has taken only a limited share. Certain branches of production, of great importance as a basis for other manufactures, had come to be entirely or very largely under German control, and in numerous branches of industry, outside the great staple trades, foreign competition had become increasingly acute, and foreign manufactures had secured a strong or even predominant position. In Overseas trade British merchants and manufacturers were encountering energetic and successful competition, which is ascribed to a variety of causes, including the adoption by foreign merchants and manufacturers of methods of organisation and distribution different from, and in some cases markedly more effective than, those hitherto pursued by British traders.

315. (*Paragraphs* 100–102.)—Owing to the abnormal conditions due to the war, whilst an amount of foreign trade very large in value has been maintained, its character and directions have been altered in many respects. We think that war requirements have enormously increased our productive capacity in certain great branches of industry, notably the Steel and Chemical Industries, and that in numerous directions British manufacturers have shown much adaptability and resourcefulness, and the knowledge and experience gained during the war should be a most valuable asset in respect of our post-war trade. We urge the vital importance of every effort on the part of both employers and employed to attain the largest possible volume of production in order to secure the speedy recovery of our industrial and financial position.

316. (*Paragraph* 103.)—We state that we have not felt it possible to examine in detail all the specific recommendations of the Board of Trade Committees, which, so far as action has not already been taken by the Government, should receive full and sympathetic consideration, but that we think the course most likely to be useful is that we should confine our attention to the larger questions of commercial policy.

Chapter III.—(Measures to be adopted during the Transitional Period.)

317. (*Paragraphs* 104–113.)—We re-affirm the main recommendations embodied in our First and Second Interim Reports, viz. :—

(*a*) The present régime, whereby importation of goods of enemy origin is prohibited, should be continued, subject to licence in exceptional cases, for a period of at least 12 months after the conclusion of the War, and subsequently for such further period as His Majesty's Government may deem expedient.

(*b*) The Paris Resolutions relating to the supply of the Allies for the restoration of their industries can be carried into effect if a policy of joint control of certain important commodities can be agreed upon between the British Empire and the Allies. Any

measures should aim at securing to the British Empire and the Allied countries priority for their requirements and should be applied only to materials which are mainly derived from those countries and will be required by them. This policy should be applied as regards the United Kingdom by legislation empowering the Government to prohibit the export except under licence of such articles as may be deemed expedient, and as regards the British Empire and Allied countries the Government should, without delay, enter into negotiations with the various Governments concerned, with a view to the adoption of suitable joint measures in the case of selected commodities of importance.

(*c*) We recommend that the Government should consider, in consultation with the Allies, the expediency of establishing after the War a joint organisation on the lines of Commission Internationale de Ravitaillement for dealing with the orders of the Allied Governments for reconstruction purposes, and with such private orders as they may find it expedient to centralise.

(*d*) We point out that the prolongation of the War and the entry into it of the United States have increased the importance of a considered policy directed towards assuring to the British Empire and the Allies adequate supplies of essential raw materials during the period immediately following the conclusion of peace and that the extent to which the Paris Resolutions which bear upon this vital question can be carried into effect depends upon the co-operation of the Governments concerned.

318. (*Paragraphs* 114–119.)—We recognise that in addition to the foregoing proposals it will be necessary to continue for some period after the war some portion of the control of home and foreign trade imposed during the war, in order particularly to secure to the country adequate supplies of foodstuffs and raw materials for industry and their fair distribution. But we recommend that the restrictive measures which it may be necessary to continue should be kept within the narrowest possible limits, and, wherever practicable, the trades concerned should be entrusted with the working of the control under Government authority. The policy of the Government should be directed towards the restoration of normal industrial conditions within the shortest possible time. We are strongly of opinion that State control of, and restrictions upon, industry arising out of war conditions will be found to be detrimental under normal conditions and should be removed so soon as possible after the conclusion of peace, due regard being had to the circumstances of each particular case.

Chapter IV.—(*The Supply of Materials.*)

319. (*Paragraphs* 122–123.)—The experience of the war has shown that the United Kingdom and the British Empire as a whole are dependent upon foreign countries for a large number of raw materials which are not produced at all within the Empire, or are only produced on a scale altogether incommensurate with our requirements. We do not think that any attempt to make the Empire self-supporting in respect of them all would be either practicable or economically sound, but that a selective policy will be necessary, which shall have regard to relative importance, whether industrial or military, and to the sources of supply and the likelihood of their disturbance in time of war.

320. (*Paragraphs* 124–126.)—We doubt if the proposals of the Dominions Royal Commission (Cd. 8462) for the establishment of a single Development Board to deal with this problem and with certain other matters is immediately practicable, and we think that it would be possible to make more rapid progress by dealing separately with a number of special commodities or groups of commodities.

321. (*Paragraphs* 127–128.)—We refer to the recommendations which we have already made for the establishment of an Intelligence and Advisory Bureau,

(*a*) For securing the detailed and systematic collection, examination and dissemination of information as to the needs and resources of the Empire in respect of Minerals and Metals of economic and military importance, and

(*b*) For framing proposals for submission to the proper authorities as to the co-ordination of existing surveys and investigations and any extensions thereof which may appear expedient.

We have further suggested that in certain cases it should be the duty of the organisation thus proposed to consider if any deposits of Minerals not adequately worked, or any new deposits unlikely to be adequately worked without some kind of Government assistance, are of such military importance or likely to become of such economic importance as to warrant Government aid in their development, and if so, to frame recommendations for the consideration of the particular Government of any part of the Empire which may be concerned.

322. (*Paragraphs* 130–135.)—We note that the Board of Trade have already set up a Committee to investigate the question of the supply of Cotton within the Empire in a similar manner, and we recommend that special enquiries should be instituted on these lines as regards each commodity which may be selected for treatment on the principles which we have indicated. The object to be kept in view should be that the Empire may be capable in an emergency of being independent in respect of the supply of every essential commodity of any single foreign country or possible combination of foreign countries.

323. (*Paragraph* 136.)—We further recommend that in these enquiries advantage should be taken of the organisation which already exists at the Imperial Institute, and that a small independent committee should be appointed to consider to what extent and in what manner the Institute can be made more effective for the purpose.

324. (*Paragraphs* 137–139.)—As regards Alien interests in the sources of supply within the Empire we think that some Government control, which may take various forms according to the circumstances of each case, will be necessary in future in respect of a limited number of commodities of vital military importance. Apart from this limited class of cases we think that it would be unwise to aim at the exclusion of foreign (other than present enemy) capital from sharing in the development of the material resources of the Empire.

325. (*Paragraphs* 140–141.)—We recommend that legislative powers should be taken to secure :—

(*a*) Complete disclosure, so far as is practicable, of the extent of foreign holdings in any particular case ;

(*b*) That Mineral and other properties are not secured by foreign concerns in order to prevent the development of those properties and to check competition in supply ; and

(*c*) That in the case of commodities of great Imperial importance the local Government concerned should have some measure of control over the working of the properties.

These principles, if accepted by the Government, should be brought under the consideration of the Governments of other parts of the Empire, with a view to the adoption of a uniform policy.

Chapter V.—(Essential Industries.)

326. (*Paragraphs* 142–144.)—We refer to the detailed recommendations contained in our Interim Report on Essential Industries as regards certain selected commodities which, whilst the branches of industry engaged therein are not of such magnitude as the great staple trades, are essential to national safety, as being absolutely indispensable to important British industries, and were supplied before the war entirely or mainly from present enemy sources or from sources under present enemy control.

327. (*Paragraph* 145.)—We reproduce the proposals made by us in that Report for the establishment of a Special Industries Board charged with the duty of watching the course of industrial development, and of framing from time to time, when necessary, either on its own initiative or on the application of interested departments or persons, detailed schemes for the promotion and assistance of industries concerned with the production of commodities of the special character indicated.

Chapter VI.—(The Treatment of Aliens in respect of Commercial and Industrial Occupations and Undertakings in this Country.)

328. (*Paragraphs* 146–148.)—We state that in our opinion it would not be desirable to impose any special restrictions on the participation of aliens generally in commercial and industrial occupations in this country. In the limited number of cases in which some restrictions or safeguards may be necessary, adequate security can, as a rule, be ensured by requiring disclosure of the facts.

329. (*Paragraph* 149.)—There are, however, a few occupations such as those of Pilot and Patent Agent which should be confined to British-born subjects in view of the special opportunities which they afford for the obtaining of information affecting national security.

330. (*Paragraph* 150.)—Consideration should be given to the question whether Foreign Commercial Travellers operating in the United Kingdom should not be registered and required to hold licences for which fees would be charged, which could, however, be remitted in the case of travellers representing firms of such countries as do not impose dues on British Commercial Travellers.

331. (*Paragraphs* 152–153.)—The registration of title to property should be made compulsory over the whole of the United Kingdom, and such registration should involve a declaration of the nationality of the owner or transferee, in order to enable the Government to decide whether in any particular case national security requires the expropriation of foreign interests.

332. (*Paragraph* 154.)—We are unable to support the proposal which has been made that every limited Company should be required to include in its annual return to Somerset House a statement of the amount of its stock or shares held by or on behalf of aliens, but we recommend that the Board of Trade should have power to make an investigation in the case of any particular company in which, on grounds of national safety, control might be undesirable, and in which there is *primâ facie* ground for suspecting its existence to an undue extent.

333. (*Paragraphs* 155–156.)—We think that it would be unwise to enter on a policy of checking the establishment or continuance of the agencies or branches of Foreign Banks and Insurance Companies in this country, but that for reasons which we specify they should be required in future to take out annual licences for which a small fee should be paid. We also recommend that foreign insurance companies should be required to make a deposit proportionate to the business done by them, and that close attention should be given by the Inland Revenue Authorities to the importance of securing that foreign banks do not evade payment of the British Income Tax.

334. (*Paragraph* 157.)—We consider that for a period after the war it will be necessary to impose special restrictions upon the subjects of the present enemy countries and that this can best be done by means of stringent permit and police regulations.

335. (*Paragraph* 158.)—Subject to the last mentioned safeguards we do not think that it will be necessary or practicable, except possibly for a short period in special cases, to attempt

to prevent present enemy subjects from establishing agencies, or holding interests in commercial or industrial undertakings generally in this country. In particular we think that it would be impracticable and inexpedient to impose any restrictions or discriminations as regards the use of London credit or of London insurance or reinsurance facilities.

Chapter VII.—(Industrial and Commercial Organisation.)

336. (*Paragraphs* 159–161).—We point out that, notwithstanding the strength of the United Kingdom's economic position, there is a widespread feeling that a reconsideration of our industrial and trade organisation has become necessary in consequence of the increasing intensity of foreign competition, based largely upon a system of combination in respect of production and distribution which has hitherto made comparatively little progress in the United Kingdom. While there is a danger that consolidation and combination may not only tend to diminish that individual initiative and enterprise to which the progress of British manufacture and industry has been largely due, but may also be carried to a point at which it becomes inimical to the general interests of the country, we agree generally with the opinion that in some important directions the individualistic methods hitherto mainly adopted should be supplemented or entirely replaced by co-operation and co-ordination in respect of (1) the securing of supplies of materials, (2) production (in which we include standardisation and scientific and industrial research), and (3) marketing.

337. (*Paragraphs* 164–165).—As regards associations for general trade purposes, it is, in our opinion, very desirable that in all important British industries there should exist strong, comprehensive and well organised associations which should be clearing houses of information of common interest, and should be competent to voice the opinions and needs of their respective trades as a whole.

338. (*Paragraphs* 166–173).—As regards combinations for the regulation of trade we describe briefly the forms which these have taken in the United Kingdom, and the extent to which they have been carried, and we point out that their development in the United Kingdom during the two decades preceding the war was far surpassed by the corresponding movements in the United States and Germany which in the former case have been chiefly in the direction of actual consolidations and in the latter case have taken the form of terminable combines or "cartels."

339. (*Paragraphs* 174–175).—We are of opinion that every encouragement should be given by the Government to the formation of combinations of manufacturers and others concerned to secure supplies of materials and that, where it appears expedient that the control of mineral deposits in foreign countries should be obtained, all practicable support should be given.

340. (*Paragraphs* 176–180).—In regard to production we think that the constructive action must come from the industries themselves, and we hope that the development may be assisted by the policy of the Department of Scientific and Industrial Research, to which we refer, by co-operation amongst manufacturers in respect of munitions and other military and naval supplies, and by combination in respect of marketing. In order to facilitate the necessary organisation of many industries on a larger scale than has been the case in past years we recommend that an authority should be set up which should have the right, after inquiry, to grant compulsory powers for the acquisition of land for industrial purposes and the diversion or abolition of roads or footpaths. We also recommend that there should be a judicial body with compulsory powers to deal with the question of wayleaves required for the development of mineral royalties and the economical working of collieries and mines.

341. (*Paragraphs* 181–184).—We recognise that the formation of organisations for marketing in respect of overseas trade will stimulate the creation of combinations for the control of domestic sales. We believe, however, that such development is not only desirable in some cases, but practically inevitable under modern conditions, and that the attitude of public opinion, of local authorities and the State, which has hitherto been antagonistic, must be modified. We consider moreover that, so far from being adverse to the interests of labour, combinations of employers are on the whole beneficial to the workers in the trade affected in respect of rates of wages, steadiness of employment and other matters.

342. (*Paragraphs* 185–188).—We think that it would be inexpedient for the Government to enter upon any policy aiming at positive control of combinations in this country, but that it is desirable that some means should be devised for securing to a responsible Government Department adequate information as to the formation of combinations and that provision should be made for State investigation in special cases. At the same time we think that combinations should, where necessary, be legalised so as to be enforceable between members.

343. (*Paragraph* 189).—We accordingly recommend in this connection:—

(*a*) That it should be a legislative requirement that all international combinations or agreements (or combinations or agreements which are made directly or indirectly on behalf of foreign interests) to which British companies or firms are parties, made for the regulation of the prices of goods or services, or for the delimitation of markets, should be registered at the Board of Trade by the British persons, firms or companies concerned, with a statement of the names of all the parties thereto and of the general nature and object of the combination or agreement; and that all modifications of such agreements and all adhesions and withdrawals should also be notified.

(*b*) That it should be optional for the parties to any combination or agreement between British firms having for its object joint marketing arrangements, either in the United Kingdom or abroad, or the regulation of prices or output, or the delimitation of markets, to register such combination or agreement at the Board of Trade, with a statement of the names of the parties thereto, and as to its general nature and object; and that such steps as may be necessary should be taken to make any price or other marketing arrangements made by or resulting from combinations and agreements so registered enforceable at law as between the parties thereto.

(*c*) That, in order that the Board of Trade may be able to keep itself fully informed as to the nature, extent and operations of industrial combinations in the United Kingdom or of international combinations of which British firms, companies or associations form part, that Department should have power to call upon individual consolidations or combines from time to time to furnish for its confidential use such information as it may require.

Chapter VIII.—(Finance and Industry.)

344. (*Paragraphs* 190–198.)—As regards the question of Financial Facilities for Trade we refer to the recommendations of the Special Trade Committees and to the Report of the Committee appointed by the Board of Trade which led to the establishment of the British Trade Corporation, and we summarise the evidence which we have received as to the general objects of the Corporation and the work which it will undertake.

345. (*Paragraphs* 199–200.)—We deal with a scheme which has been placed before us for the establishment of an Imperial Bank of Industry under the guarantee of the United Kingdom and certain Dominions and Colonies. We are unable to recommend the adoption of this scheme. In our opinion the financial needs of British industry are likely in normal circumstances to receive better examination and to be met in a more elastic and effective manner under private banking enterprise than by means of a State-controlled institution.

346. (*Paragraphs* 201–202.)—We recognise that the satisfaction of the urgent demand which will arise after the war for capital for the re-establishment of industry on a peace basis will be profoundly affected by the policy of the Government in regard to taxation, the currency and the maintenance of the foreign exchanges, and we recommend that these matters should be the subject of early enquiry by the Treasury in consultation with representatives of banking and commerce. As a general rule we think it undesirable that the State should itself attempt to provide capital for industrial purposes.

347. (*Paragraphs* 203–204.)—We think that the existing control of capital issues should be relaxed as rapidly as circumstances permit, subject to further consideration as regards loans to foreign Governments or States.

348. (*Paragraph* 205.)—In our opinion the remedy for the shortage of capital after the war must be sought mainly in the increase of production and saving. The attainment of these objects can be appreciably affected by the avoidance of unnecessary and wasteful expenditure by the State itself and by the extension of the taxation of luxuries.

349. (*Paragraphs* 206–211.)—The most important permanent instrument of taxation, both from the point of view of revenue and as regards its effect upon production and the scale of personal expenditure will, however, continue to be the Income Tax. We draw attention to the observations of the Special Committees upon the inadequacy of the allowances now allowed for depreciation and wear and tear of machinery and plant. We are of opinion that depreciation should be allowed for Income Tax purposes on an adequate scale according to the circumstances of each case, and we recommend that immediate steps should be taken for this purpose by the Treasury. Having regard to the far reaching effects of the tax at its present high level upon industrial reconstruction we strongly urge that the principles upon which it is based should be fully reviewed at the earliest possible date, with a view to enabling the State to raise a revenue at least as large as at present with less individual hardship and less damage to productive industry. The enquiry should include consideration of the Death Duties.

Chapter IX.—(Fiscal Policy.)

350. (*Paragraphs* 212–216.)—Upon reconsideration of this problem as a whole in the light of the experience of the War, we lay down the following propositions as to the bases of future British economic policy in this connection:—

1. Some Governmental action should be taken to promote and safeguard the development in the United Kingdom of industries of a special or "pivotal" character (*i.e.*, industries on which other and larger branches of industrial production of substantial national importance are dependent), or which, whilst essential for munitions purposes, are not of sufficient commercial importance to ensure their development without such State assistance.
2. Some Government assistance should be given to industries, other than those mentioned above, which are important for the maintenance of the industrial position of the United Kingdom, where such assistance is proved to be necessary because of the inability of the industries to maintain or develop themselves by reason of undue foreign competition, inadequate supplies of raw materials, or any other causes.

3. A serious attempt should be made to meet the declared wishes of the Dominions and Colonies and of India for the readjustment and development of their economic relations with the United Kingdom.

4. An effort should also be made to develop trade between the British Empire and our Allies.

5. Subject to agreement with our Allies in the matter, present enemy countries should not, for a time at least, be allowed to carry on trade with the British Empire in the same unrestricted manner as before the war, or on terms equal to those accorded to Allies or Neutrals.

351. (*Paragraphs* 217–236)—After dealing with the question of "dumping" (by which we understand the sale of goods in a particular market at prices lower than those at which the goods are currently offered in the country of manufacture), we discuss the proposal that these objects should be sought by the establishment of a comprehensive tariff scheme covering the whole range of imports into the United Kingdom; but for reasons briefly summarised below we do not think it necessary or expedient to adopt this proposal :—

1. A claim for protection cannot, in our opinion, normally be regarded as valid, unless the industry which makes it can show that in spite of the adoption of the most efficient technical methods and business organisation it cannot maintain itself against foreign competition or that it is hindered from adopting these methods by such competition.

2. There are some large branches of production, such as the main branches of the cotton trade, in which there is no demand for any measure of protection.

3. The primary object of State policy should be the development of industries of importance to the national security and well being, and any State action directed towards the indiscriminate maintenance of a number of industries which do not contribute appreciably or at all towards the increase of the national wealth would, we think, be economically unsound.

4. Any State action likely to raise prices, even temporarily, for any commodities of national importance, should be confined within the closest possible limits.

5. It is of paramount importance that our export trade should not be hampered by any policy, which might unduly increase the cost of production in this country, as compared with the cost in other countries; and a more limited tariff could be used equally well, though not so extensively, for granting Imperial Preference and also for the purpose of negotiation with foreign countries. We direct attention to the expediency of considering measures of Imperial Preference other than the imposition of differential Custom duties.

352. (*Paragraphs* 237–254).—Accordingly the conclusions to which we come after examination in detail of the main considerations involved are :—

1. The producers of this country are entitled to require from the Government that they should be protected in their home market against "dumping" as previously defined, and against the introduction of "sweated" goods, by which term we understand goods produced by labour which is not paid at Trade Union rates of wages, where such rates exist in the country of origin of the goods, or the current rates of that country where there are no Trade Union rates. We recommend that action be taken in regard to "dumping" on the lines (though not necessarily in the precise form) adopted in Canada.

2. Those industries which we have already described as "key" or "pivotal" should be maintained in this country at all hazards and at any expense.

3. As regards other industries, protection by means of Customs duties or Government assistance in other forms should be afforded only to carefully selected branches of industry, which must be maintained either for reasons of national safety or on the general ground that it is undesirable that any industry of real importance to our economic strength and well being should be allowed to be weakened by foreign competition, or brought to any serious extent under alien domination or control.

4. Preferential treatment should be accorded to the British Oversea Dominions and Possessions in respect of any Customs duties now or hereafter to be imposed in the United Kingdom, and consideration should be given to other forms of Imperial Preference.

5. As regards our commercial relations with our present Allies and neutrals the denunciation of existing Commercial treaties is unnecessary and inexpedient, but the present opportunity should be taken to endeavour to promote our trade with our Allies, and consideration should be given to the possibility of utilising for purposes of negotiation with them and present neutrals any duties which may be imposed in accordance with the principles laid down above.

353. (*Paragraph* 255).—In view of the danger that the admission of the principle of Protection, even to a limited extent, may give rise to a wide-spread demand for similar assistance from other industries, and consequently to an amount of political pressure which it may be very difficult to resist, we further recommend that a strong and competent Board, with an independent status, should be established to examine into all applications from industries for State assistance, to advise His

Majesty's Government upon such applications, and where a case is made out to frame proposals as to the precise nature and extent of the assistance to be given. Before recommending tariff protection the Board should consider forms of State assistance other than, or concurrent with, protective duties, and it should have constantly in mind the safeguarding of the interests of consumers and of labour, and should make recommendations as to the conditions to be imposed for these purposes.

Chapter X.—(Weights and Measures.)

354. (*Paragraphs* 256–287).—We have considered numerous suggestions for the alteration of our existing Weights and Measures and in particular the proposal for the compulsory adoption in this country, after a short interval of notice, of the Metric System. We are unable to recommend the adoption of this proposal. We are not satisfied that on the whole the Metric System is theoretically superior to our present system. The main practical advantages claimed for the change are saving of time in education and the conduct of domestic trade and the gain to our export trade resulting from international uniformity. Upon a review of the probable effects of the change upon British trade as a whole, we are satisfied that these results would not be obtained for a very long period, if ever. In our opinion an attempt to make the use of the Metric System universal and obligatory in this country would cause great loss and confusion at a particularly inopportune moment for the sake of distant and doubtful advantages, and, so far from assisting in the re-establishment of British trade after the War, would seriously hamper it.

355. (*Paragraph* 288).—We have also considered proposals for the simplification and decimalisation of our existing weights and measures, but we do not think that compulsory legislation for this purpose would be expedient or would be likely to be effective at the present time. We recommend, however, that continued efforts should be made towards the simplification which has already taken place to a considerable extent in the teaching of weights and measures, and that Government Departments and other public Authorities and trade organisations should bear constantly in mind the importance of promoting a corresponding simplification in the actual conduct of trade. We refer also to the importance, already widely recognised, of using decimal subdivisions of our basic units, and of replacing, wherever possible, the present hundredweight and ton by the cental of 100 pounds and the "short ton" of 2,000 lbs.

Chapter XI.—(Coinage.)

356. (*Paragraphs* 290–294).—The proposals for the introduction of a decimal system of coinage are often closely connected with the question of Weights and Measures, but the decision must be settled upon somewhat different considerations. The change involves at least the alteration of the pound sterling or of the penny, and the majority of us are convinced that the advantages expected are insufficient to justify the risks which would be involved. We deal with the main proposals placed before us which adopt as a basis either the existing penny or the pound sterling.

357. (*Paragraphs* 295–300).—Amongst the former we have considered a scheme for the introduction of a British dollar of 100 halfpennies. This scheme is open to the objections that it would involve the alteration of our existing silver currency and would actually diminish the extent of the uniformity which now prevails in regard to currency in the British Empire. The main consideration, however, by which we are led to reject this scheme as well as other schemes which are based upon the retention of the penny is that, in our opinion, they all lead in fact to the abandonment of the sovereign as the standard and working unit of international exchange. Any such abandonment, even in name only, would, we think, be fraught with risks which it would be unwise to incur.

358. (*Paragraphs* 301–312.)—The proposal now supported by the Institute of Bankers, the Associated Chambers of Commerce and the Decimal Association is the decimalisation of the sovereign which would consist of 1,000 mils, the mil being worth 4 per cent. less than the existing farthing. While it would not promote either the unification of the existing coinage systems of the British Empire or the adoption of an international currency, this proposal offers considerable conveniences in account keeping, especially in the case of banks and large commercial firms. But apart from certain secondary objections, the crux of the question is the alteration of the value of the penny, and, having regard to the magnitude of the disturbance which this change would cause in the lives of the great body of wage earners, retail shopkeepers and their customers, we are satisfied that the introduction of such a change would be inexpedient at a time when the social, industrial and financial organisation of the country will be faced with numerous and exceptional difficulties.

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359. We desire to place on record our deep sense of the great obligations we are under to our Secretaries, Mr. Percy Ashley and Mr. G. C. Upcott. They have served us in a most efficient manner all through our inquiry, and have discharged the duties entrusted to them with great zeal and ability, and with a sincere desire to help us in every way open to them.

Ungrudging assistance has also been afforded to us throughout our inquiry by the Board of Trade, and particularly by the staff of the Commercial Reconstruction Section of that Department. We wish especially to acknowledge the value of the work done by Miss B. C. Vincent in preparing material for our consideration, including summaries of the numerous representations to which we have referred in Chapter I.

We have the honour to be,

Sir,

Your obedient Servants,

(Signed) BALFOUR OF BURLEIGH (*Chairman*).
ARTHUR BALFOUR.
HENRY BIRCHENOUGH.
*ALFRED BOOTH.
COLWYN.
†FARINGDON.
H. GOSLING.
†C. S. HENRY.
§C. G. HYDE.
**W. S. McCORMICK.
ALEXANDER McDOWELL.
†GERARD A. MUNTZ.
ADAM NIMMO.
†CHARLES A. PARSONS.
WM. PEARCE.
††ARTHUR F. PEASE.
W. E. B. PRIESTLEY.
J. A. ROXBURGH.
§§G. SCOBY SMITH.

PERCY ASHLEY, G. C. UPCOTT, } *Secretaries.*

3 *December*, 1917.

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* Subject to Reservation as regards Chapters III. and IX. (page 68).
† " " " " " Chapter IX. (page 67).
§ " " " " " " " (page 69).
** " " " " " " " (page 69).
†† " " " " " Chapters " and XI. (page 69).
§§ " " " " " Chapter " (page 67) and Note as to Coking Coal (page 71).

Reservation by Lord Faringdon, Sir Charles Henry, Sir Gerard Muntz, Sir Charles Parsons and Mr. Scoby Smith as regards Chapter IX.

Whilst being pleased to be able to attach our signatures to the above report, we have only been able to do so with certain reservations.

With most of the conclusions arrived at we are entirely in accord, but in connection with Chapter IX, which deals with "Fiscal Policy," we find that we are not in complete agreement with the majority of our colleagues.

We approve of the proposal to protect by a duty "Key" or "Pivotal" industries and the making of provision against "Dumping," but we do not consider that these measures are sufficient in themselves to meet the conditions laid down by the Paris Conference under the heading "Permanent Measures of Mutual Assistance and Collaboration among the Allies."

It appears to us that it was contemplated that the *General Trade* of our enemies should be penalised by the imposition of Customs duties or prohibition.

We are of opinion that, having regard to

1st, our desire to give economic advantages to our Allies,

2nd, the opinion strongly expressed in our interim report that a preference should be given to our Colonies, and the Overseas Dominions, and

3rd, the views of the majority of our Manufacturers, as set forth in the Departmental Reports,

a general *ad valorem* tariff of 10 per cent. should be imposed upon all wholly or mainly manufactured articles imported into the United Kingdom.

The Reports of several of the Departmental Committees appointed by the Board of Trade are summarised on pages 9 to 20 of our report, and it will be noted that the following industries emphasise the necessity for a tariff:—

The Iron and Steel Trades,
The Engineering Trades,
The Electrical Trades,
The Woollen and Worsted Industry,
The Carpet Associations,
The Silk Industry,
The Linen Industry,
The Lace and Embroidery Trades,
The Cotton Hosiery and Fabric Glove Industries,
The Non-ferrous Metals Trades *re* Manufactured Lead.

The only trades reporting against a tariff are:—
The Cotton Industry, for the reasons given on page 16,
The Jute Industry, provided it has a first claim on the export of Jute from India,
The Shipbuilding Industry.

A general tariff of 10 per cent. *ad valorem* would have the effect of giving the home manufacturer security against unfair competition and this would encourage him to increase his output by the erection of the most modern machinery and plant, thereby reducing his costs and cheapening his products to the consumer whilst enlarging his capacity to employ labour. This security would also result in greater stability of prices, it would lead to the stocking of standardised articles in times of depression and thus to a certain extent avoid trade "slumps" and consequent unemployment, and it would attract capital to home industrial undertakings.

We are also of opinion that such a tariff would encourage industries in connection with miscellaneous articles and commodities which before the War were mainly imported, and thereby provide employment for the largely increased number of female workers who have recently become accustomed to mechanical labour.

We do not venture to express an opinion as to whether a 10 per cent. *ad valorem* tariff would produce a substantial revenue; experience, however, of a similar tariff in India and Egypt shows that it has undoubtedly given good net results; but if the advantages to our trade are those above detailed, it would be fully justified, even if the yield to the Exchequer were small, and the resulting general prosperity would widen the possible field of taxation. The simplicity of the tariff suggested would enable a simple system of drawbacks to be devised in respect of our re-export trade.

We do not suggest the imposition of any additional tariffs upon foodstuffs, or any tariff upon raw materials—that is, materials upon which little or no labour has been expended.

We regard Subsidies and Bounties as economically unsound.

To sum up:—

We are of opinion that the small tariff we advocate would be beneficial to our home trade and would also

1st. Enable us by its reduction or remission to give preferential treatment to the British Dominions Overseas;

2nd. Give us the means of negotiating commercial arrangements with our Allies;

3rd. Provide the wherewithal for bargaining with Neutrals.

A general tariff of 10 per cent. reduced as it would be by the concessions above referred to, would not be "protection" in the sense that that term is ordinarily applied and would not necessitate Government control or interference, which invariably has a blighting effect upon industry.

(*Signed*) FARINGDON.
CHARLES S. HENRY.
GERARD A. MUNTZ.
CHARLES A. PARSONS.
G. SCOBY SMITH.

RESERVATION BY SIR ALFRED BOOTH AS REGARDS CHAPTERS III. AND IX.

I regret that I have to dissent from the recommendations made in Chapters III. and IX.

Imports from present enemy countries.—I was unable to sign the Interim Report on this subject for the reasons which I now repeat:—

1. Prohibition of imports from enemy countries, except as a continuation for a very short time of the war régime, could not in practice be insisted on as a condition of peace. If satisfactory terms can be secured in every other respect, including disarmament and indemnities, it is difficult to suppose that the country would be willing to go on fighting for prohibition alone. There can be little doubt that our Allies would be opposed to such a policy.
2. Prohibition of imports could not be maintained effectively for such a long period as is recommended in the Report. The premium on evasion would be too high, and it is admitted that the best system of Certificates of Origin cannot be made watertight.
3. The Report admits that prohibition could not be made absolute but should be qualified by a system of permits to import under licence. There are grave commercial and political objections to a system whereby the power to grant licences would be entrusted to a Government department. If it is intended that Parliament should determine what articles should be exempted from the prohibition and under what conditions their importation should be allowed, then the recommendation of a licensing system is merely an evasion of the difficulty.

My objections to the recommendations in Chapter III. with regard to the *control of exports* and *other measures of control of home and foreign trade*, and in Chapter IX. with regard to *fiscal policy* rest on wider grounds.

Reconstruction after the war depends primarily on two factors:—

1. The amount of new capital available year by year for investment in industry, *i.e.*, the amount of the national surplus of production over consumption.
2. The confidence which will erect a solid structure of credit on a well justified estimate of future surpluses.

The first of these factors is discussed under the head "Industry and Taxation" in Chapter VIII., but in no section of the Report is any emphasis laid on the second factor.

The part which the State can play in helping to maintain a firm foundation of confidence on which the structure of credit can be built is of equal importance to its power of assisting in the creation of new capital. At the beginning of the period of reconstruction the guiding principle must be to avoid introducing new factors of uncertainty in commercial and industrial affairs. The restoration of our currency to a gold basis is a problem the State alone can handle. The wise solution of this problem will of itself contribute largely to the maintenance of confidence and the creation of credit, but, on the other hand, the difficulties of the problem will be greatly enhanced if confidence is destroyed in other directions.

The recommendations in Chapter III. with regard to the control of exports and the rationing of raw materials among the Allies by a system of priority certificates is, in my opinion, an experiment of a particularly dangerous kind. No system of rationing can increase the supply of raw materials. It is likely on the contrary to reduce the supply as the constant effort will be to make use of the absence of competition to force down prices. If under free conditions a particular industry in this country is unable to pay the prices which foreigners can pay, there must be something the matter with the industry, and the sooner we find it out the better instead of burying our heads in the sand. This system of rationing must produce endless friction between the Allies and will inevitably break down sooner or later, but meanwhile industry will have been set going on an artificial basis of costs and will only set itself right again after a panic and widespread distress. The best time for industry to strike out for itself will be immediately after the war comes to an end, when optimism will be at its height, rather than a few years later when the inevitable reaction will have set in. If State control of industry on the lines recommended is continued after the War there will be a strenuous fight to strengthen the hold. The attempt will fail, but only after the infliction of great suffering on the working classes of the country. If, on the other hand, industry is told that it must look after itself as soon as peace comes, I have not the slightest doubt that it will be able to do so and to create for itself whatever new machinery it may find necessary.

The recommendations in Chapter IX with regard to fiscal policy appear to me to be of the kind most calculated to create uncertainty and destroy confidence. A low general tariff covering the whole range of manufactured and semi-manufactured articles would be less open to objection on this ground than the recommendations of the Committee, provided such a tariff could be created by a wave of the wand, and we should probably be surprised to find what little difference of a tariff of this kind would make in the total production of the United Kingdom, either for good or evil. But

a tariff cannot be imposed in this way, particularly not a tariff of the kind recommended by the Committee. It would have to be thrashed out and debated in the country and in Parliament, and even then there would be no finality. For months, if not for years, industry would be left in a state of paralysing uncertainty.

It is recognised by the Committee that Parliament would never grant protection without safeguarding the interests of consumers and of labour. In plain language this means that the price of protection must be State control of prices and wages. In my opinion, industry cannot afford to pay such a price.

(Signed) ALFRED BOOTH.

RESERVATION BY SIR CLARENDON HYDE AS REGARDS CHAPTER IX.

I dissent from conclusion No. 3 in paragraph 254 and from so much of the text as leads up to and supports that conclusion.

As regards such of our staple industries as may properly require special help from the Government, I fail to see that such assistance could be properly rendered by means of tariffs. Those staple industries only can claim to be deserving of support in the interests of the nation as a whole, which, being conducted efficiently, with the best appliances, and with the best commercial methods, fail to achieve a reasonable profit. No instance has been adduced to us of such a staple industry in such a condition. The application of a tariff for the protection of such industries would inevitably have the result of supporting those manufacturers in the same industry, whose works and methods failed to respond to modern requirements. Taking as an instance the iron and steel trade of the country, it appears to be evident from the report of the Departmental Committee and the evidence adduced before us, that the trade as a whole is without organisation for the co-ordination of production, and the works as now existing throughout the United Kingdom are, in the main, of too small a character, with too limited an output, and with insufficiently modern plant, to hope to compete permanently on their present lines against the large units and modern works of the United States and Germany. In such cases it appears to me that manufacturers should be encouraged to combine for purchases of raw materials, for regulating production, for organising export sales, and especially for the purpose of constructing new works on a large scale, capable of big outputs and worked on the same lines as those in competing countries.

The introduction of anti-dumping legislation which we recommend will, I think, supply all the help needful for our staple trades. If they fail to continue profitable in the absence of abnormal conditions, they must, I feel sure, ultimately tend to disappear. I reject this contingency as unsupported by the facts adduced. Our staple trades cannot, I am convinced, be bolstered up by tariffs. If they prove themselves moribund, as to which there is no evidence, it may become a question whether in the interests of national safety and to the extent needful the Government should not support them as "essential" industries with consequential supervision and control. Unless and until such a state of affairs arises, I feel sure that the best interests of the country and of trade are served by the competitive independence of our staple industries, and that on such a basis only can we expect the maintenance and progress of our export trade.

(Signed) C. G. HYDE.

RESERVATION BY SIR WILLIAM MCCORMICK AS REGARDS CHAPTER IX.

As representing the Department of Scientific and Industrial Research on this Committee, I desire that my signature should not be regarded as implying any expression of opinion on the matters dealt with in Chapter IX. of this Report.

(Signed) W. S. MCCORMICK.

RESERVATION BY MR. A. F. PEASE AS REGARDS CHAPTERS IX. AND XI.

I am glad to be able to sign the Report with certain reservations.

As regards Chapter IX. I regret that I am unable to concur in the conclusion set forth in paragraph 227 as I believe the policy would be gravely detrimental to the trade of this country since it would entail most of the disadvantages of a general tariff and offer few, if any, of the advantages. In my judgment there are only two practicable policies, the one to continue the practice of free imports except for strictly revenue purposes and the other to impose a low general tariff.

The disadvantages of the proposed scheme are as follows :—

(1) It would be impossible to carry out effectively the policy recommended by the Committee of giving a preference to other parts of the British Empire and to our Allies if the sole consideration to be taken into account were the position of a particular industry in this country.

(2) It would create a feeling of anxiety and uncertainty in the staple trades of this country and prevent further capital and enterprise being employed, since the only manner in which a trade could obtain assistance would be if it could apply *in formâ pauperis*.

(3) It would be difficult, if not impossible, to carry out in practice. In all our large trades there are times of depression when it could be shewn that it is impossible to avoid loss or at any rate to earn any reasonable return on capital, but at the same time over a period of years the average return may be satisfactory. To prove that a trade is efficient and up to date would be a matter of the greatest complexity owing to

the varied conditions ruling in different branches of a trade and in different districts of the country. Further the constant improvements taking place in the processes of manufacture would shew that at no time were the works in this country up to the latest practice.

(4) If the tariff were on a high level it would necessitate Government control of prices, possibly also wages and other matters in connection with the trade, so as to prevent the consumer being exploited.

(5) The strongest objection I have to the scheme is that, if there is no fixed general standard, whatever safeguards might be introduced, it would lay the Government of the day open to political pressure, especially in times of adversity, and introduce a new and dangerous element into our political life.

With regard to the alternative policies of Free Trade and a General Tariff, the advantages of continuing a free import policy are great, as our manufacturers are at all times able to purchase in the cheapest market. On the other hand there is no doubt that in the long run it would be to the advantage of our manufacturers if certain materials which they now import from abroad were obtainable from home sources. It is probable that the anti-dumping legislation recommended by the Committee will give all the protection to our industries that is required.

But it is the broader question of our relationships after the War with other parts of the British Empire and our Allies, so clearly set forth in paragraphs 224 and 225 which induces me to consider the advisability of a low general tariff, and I concur in the recommendation of Lord Faringdon and others of my colleagues that with a view to meeting the conditions likely to prevail after the War it would be to the advantage of this country to establish a low general *ad valorem* tariff not exceeding 10 per cent., but excluding raw materials and food (except luxuries), for the following reasons :—

(1) It would enable us to give a preference to other parts of the British Empire and to our Allies.

(2) It would enable us to give reductions to countries who are willing to enter into satisfactory commercial treaties with us.

(3) It would enable us to penalise enemy countries.

(4) Such a tariff might slightly increase prices in the first instance, but, if the investment of capital in the construction of new works or bringing old ones up to date were encouraged thereby, it would in many cases result eventually in an actual reduction.

(5) Such a tariff would be so low that there would be no danger of the public being exploited or necessity for Government control of the trades affected.

(6) Incidentally it would bring in a certain amount of revenue to the Exchequer, though the amount under pre-war conditions would not be large.

There is no doubt that our manufacturers will adapt themselves to whatever decision may be come to by the country as regards our fiscal policy, but it is of paramount importance that our policy, whether one of free imports or a low tariff, should be continuous for a long period.

Referring to the recommendations in Chapter XI., I regret that I cannot agree that the question of the introduction of Decimal Coinage into this country should be indefinitely postponed, as I think it is of great importance that the Decimal System of coinage as recommended by the Institute of Bankers, Chambers of Commerce and the Decimal Association should be introduced at the earliest possible date after the war. I recognise that the exact date must be left to the decision of the Government, and that it will be necessary to give probably not less than a year's notice of the intended alteration. I entirely agree with the recommendation that the £ sterling must be preserved. I recommend the introduction of Decimal Coinage on the grounds that it would increase the business efficiency of this country generally as it would simplify all transactions, both those affecting large financial and banking houses and large and small industrial concerns. I am further of opinion that its introduction would facilitate and promote our trade with foreign countries. Even in cases where these countries do not themselves have a Decimal Coinage the greater facility of calculating exchange into or from the currency of a country having a Decimal System of coinage is recognised, while the United States, Canada, all Central and South America as well as our Allies, France, Belgium and Italy, use the Decimal Monetary System. It is not in my view a uniformity of coin which is required, for even that would not bring equilibrium of exchange, but a method of arithmetical calculation which is simple and adapted for international trade in that it does not demand detailed knowledge of the subsidary coinages of other countries.

While I do not wish to minimise unduly the difficulty in altering the penny, I think on the other hand it should not be exaggerated. In the first place it is not the intention to alter the value of the penny where prices are defined in terms of pence; under any existing contracts or agreements the value would still remain ·00416 of £1. The chief difficulty arises where there are small charges fixed by long usage and payable in cash for certain articles or services rendered (such as newspapers, stamps, tram fares), but the difference in charge if 4 mils were substituted for 1*d.* is only 4 per cent., and if it were necessary to make some slight adjustments they could in many cases be made in the distance carried or the article supplied. In any case during and after the war very large adjustments will have to be made, for example, the case of newspapers which have nearly all put up their prices. These adjustments would be even more easily carried out under the Decimal Monetary System than under our existing system.

In conclusion I would point out that the Decimal Coinage is in a different position from the Metric System, for, whereas the Metric System has for many years been optional and is used alongside our own system of weights and measures, if Decimal Coinage is introduced at all, it must be compulsory and the only system throughout the United Kingdom.

(Signed) ARTHUR F. PEASE

Note by Mr. G. Scoby Smith as to the Conservation of Coking Coal.

Industrial expansion is in great measure limited by the available resources of heat and power. British productive and manufacturing industry has been in the last resort built upon the possession of the great Coal measures of the country. The Report of the Departmental Committee on the Coal Trade shews that there is little likelihood of any great expansion of our native resources or of any great increase of output from the fields which are now being worked. Any industrial development must, therefore, go along with a more economical use of fuel than has hitherto been practised. The admitted necessities of national defence demand that the British production of Pig-iron and Ingot Steel should be increased by at least some fifty per cent. Without adequate supplies of Coke, the production of Pig-iron is impossible; and for the making of Coke suitable for use in the Blast Furnace, Coal possessing certain qualities is essential. These qualities are not to be found in all the Coal produced in Great Britain, but are characteristic of the Coal of certain districts and of certain seams in those districts. The resources of Great Britain in Coal of this special character are known to be limited. The Committee on the Coal Trade recommend the installation of more Coke Ovens and Bye-product recovery plants in Great Britain. The unrestrained export of Coal in the past has been in this respect most uneconomical. No advantage has been taken of the valuable properties which certain Coals possessed, and the recommendation of the Coal Committee shews their appreciation of this economic wastage. It is from a National point of view desirable that the utmost use should be made of the special qualities of British Coking Coal. The interests of the Coal owner may ultimately dictate to him the extraction of Bye-products and the utilisation of the heat produced by the process of extraction. In itself, however, this is not enough. Coke used in the Blast Furnace must be physically tough enough to withstand the crushing weight of materials which it must sustain in its passage through the Furnace. Such powers of resistance are only to be found in the Coke made from Coal won from the limited areas of which mention has been made. However unrestricted may be the export of Coal of ordinary qualities, it is, in my view, of the greatest moment that the very limited resources of good Coking Coal should be carefully conserved. The output of seams of known coking quality should be coked in Great Britain and the export of such Coal should only be permitted under licence of His Majesty's Government, and this licence should only be granted after due provision has been made for the home consumption of this class of Coal and the reserves available for home use have been ascertained.

(Signed) G. Scoby Smith.

MEMORANDUM BY MR. J. O'NEILL.

I regret that I must express my dissent with the form of the final report and some of the recommendations therein, both in their trend generally and in relation to their effect on Irish Trade particularly.

Generally.—Sufficient information was not placed before us as to the intentions of our Allies to enable us to consider their views as to a closer commercial union between the United Kingdom and them.

Education.—In my opinion our ability to recover our pre-War Trade and extend it, will depend very largely on a radical change in our present Educational Systems, both technical and commercial. We did uot consider this vital question.

The word British.—The use of the word British in the final report is most ambiguous and must lead to a certain amount of confusion. In our interim report on essential industries we defined the word as including the whole British Empire. In the final report in many places it is used in an entirely different sense.

Industrial and Commercial Organisation.—I disagree with the recommendation made that all legal restrictions should be removed from combinations of Manufacturers and that they be allowed without restraint to form secret price rings and other combinations or trusts for the exploitation of the consumer. I fail to see in what way national interests are to be served by them and I am of opinion that these powerful combinations backed by state approval and assistance will operate in such a manner as to destroy many of the weak and isolated industries now existing in Ireland.

Particularly as regards Ireland.—Whilst endeavouring to avoid matters of political controversy, I must point out that owing to the difference in the economic structure of the two Kingdoms, no fiscal system framed for the protection of the trade of Great Britain, can fail to press unfairly on Irish industries. For instance, Steel, Iron, etc. must be classed in Ireland as raw materials. Again, certain Machinery, Machine Tools, Electric Motors, etc. which are essential for our industries must be free from all tariff. Therefore my definition of raw material is "Any article manufactured or unmanufactured which does not compete with our existing or potential industries."

Generally I claim for Irish manufacturers freedom of trade in its broadest sense, that is the right to carry on our trade in the way most beneficial to our people.

As to Ireland's present industrial position and its cause, I feel compelled to quote passages from the book "Irish Emigration and the Tenure of Land in Ireland" by the late Right Hon. Lord Dufferin, K.P.—"From Queen Elizabeth's death until within a few years of the Union the various commercial confraternities of Great Britain never for a moment relaxed their relentless grip on the trades of Ireland. One by one each of our nascent industries was either strangled in its birth, or

handed over gagged and bound to the jealous custody of the rival interest in England, until at last every fountain of wealth was hermetically sealed and even the traditions of commercial enterprise have ceased through desuetude. What has been the consequence of such a system, pursued with relentless pertinacity for 250 years? This: that, debarred from every other trade and industry, the entire nation flung itself back upon '*the land*' with as fatal an impulse as when a river whose current is suddenly impeded rolls back and drowns the valley it once fertilised.

"But I may be told this frantic clinging of the Irish to the land is natural to their genius, and not a result of commercial restrictions. History supplies the perfect refutation of such a theory: Though the hostile tariff of England comprehended almost every article produced in Ireland, one single exception was permitted. From the reign of William III the linen trade of Ireland has been free; as a consequence, at this day Irish linens are exported to every quarter of the globe, and their annual value nearly equals half the rental of the island.

"Many attempts were made by the rival interest in England to deprive us of this boon, and in 1785 a petition—signed by 117,000 persons—was presented by Manchester, praying for the prohibition of Irish linens, but justice and reason for once prevailed, and the one surviving industry of Ireland was spared. How has it repaid the clemency of the British Parliament? By dowering the crown of England with as fair a cluster of flourishing towns and loyal centres of industry as are to be found in any portion of the Empire. Would you see what Ireland might have been—go to Derry, to Belfast, to Lisburn, and by the exceptional prosperity which has been developed, not only within a hundred towns and villages, but for miles and miles around them, you may measure the extent of the injury we have sustained."

As to Remedial Measures since the Act of Union.—I quote the views of that eminent authority on Economics—Mr. W. A. Hewins, M.P.—"The Free Trade movement, favourable as it was to the growth of English manufactures, was based upon even a narrower conception of English interests than that of the mercantile system, and Ireland has fallen farther and farther behind England. Ireland is, in fact, recognised as a standing exception to the economic generalisations which we so freely apply to England, and when we discuss the probable effects of a change in British policy we rarely if ever take account of Ireland unless, of course we happen to be politicians. This economic estrangement and relative decline of Ireland must necessarily be a source of weakness to the United Kingdom. It practically means that the Union is merely political, and therefore unstable. Moreover, the differences between England and Ireland are of such an organic character that financial comparisons based upon such abstractions as 'Rateable capacity' cannot fail to be misleading."

Irish Minerals.—The geological survey of Ireland is dumped on the Department of Agriculture and Technical Instruction, whilst this Department may be most anxious to carry on the work, they have neither the funds nor the staff to deal efficiently with the mineral survey of Ireland.

All Government regulations dealing with Irish Trade are framed by Committees and Boards sitting in London, and whilst in principle we are supposed to benefit equally with manufacturers in Great Britain, in practice it is not so, as those Committees and Boards being so occupied in looking after Great Britain's interests have not the time or perhaps the inclination to consider Ireland's claims. In recent years this is amply proved by the neglect of Ireland on the Munitions question and later by the Admiralty Board in the matter of the four national shipyards now being established and for which Irish taxpayers are compelled to contribute. Irishmen know the value of the Irish Harbours to the British Empire and the use that it makes of them, and I claim in return that we are entitled to a share in the naval expenditure equivalent to the value the Empire gets from our Harbours.

Our Forty Boards.—At the present time the Government of Ireland consists of over forty Boards, not one of which deals with our most vital need, that is, the development of Irish Trade.

JOHN O'NEILL.
30th November, 1917.

MEMORANDUM BY SIR ARCHIBALD WILLIAMSON.

I was not a member of the Committee when part of the evidence was taken, nor when the four Interim Reports were made. While there are some portions of the Report with which I am in agreement, there are others on which I differ from it fundamentally. In particular I disagree with the conclusions and recommendations made in Chapters VII., IX., and XI., and regret the omission of any recommendation regarding the formation of a Ministry of Industry and Commerce. For these reasons I find myself unable to sign the Report.

Chapter VII.—Industrial and Commercial Organisation.

While in full agreement that benefits may be derived from amalgamations, combinations, and agreements, in the direction of cheapening production and increasing our share of trade, I am unable to agree with the conclusions arrived at. It is proposed by the majority of the Committee that "All international combinations or agreements to which British companies or firms are parties, made for the regulation of the prices of goods or services, or for the delimitation of markets, should be registered at the Board of Trade . . . . with a statement of the names of all the parties thereto, and of the general nature and objects of the combination or agreement, and that all modifications of such agreements, and all adhesions and withdrawals should also be notified." It is further recommended that the Board of Trade should be in a position to keep itself fully informed as to

the "nature, extent, and operations" by having power to call for any information it may require. Such a scheme, in my judgment, would not harmonise with the desire to encourage combinations and agreements for trade purposes. Under it few combinations or agreements would be made, and some now existing would very probably be cancelled. Agreements are often made for short periods —a few weeks, or perhaps a season. Sometimes they are honourable understandings without legal documents. Frequently they can only be advantageous if private. As illustrations, the following examples may be given :—

(*a*) A British firm agreeing with others, some of whom are foreigners, as to the price they will pay during a three months' season for certain grades of coffee in a foreign market.

(*b*) A British Company owning flour mills abroad, which enters into a combination for wheat buying with its competitors.

(*c*) A British Company owning a foreign railway, which makes agreements as to tariff or services or territory.

(*d*) British banks with foreign branches, which make agreements with foreign competitors of a confidential character.

In most cases it is evident that the foreign parties to a proposed combination or agreement would regard enforced registration as intolerable, and decline to subject themselves to the publicity and investigating powers proposed to be created. British companies and firms would thus be excluded from participation in beneficial agreements. In my view the proposals recited above are in part impracticable, and, as a whole, disadvantageous to our commercial interests.

Chapter IX.—Fiscal Policy.

I dissent from conclusion No. 3, in paragraph 254, and from so much of the text as leads up to and supports that conclusion.

In regard to this I agree with the views embodied in the reservation signed by Sir Clarendon Hyde.

Chapter XI.—Decimal Coinage.

In my judgment, the question of our system of currency has been viewed by the majority of the Committee too largely from a home trade or internal standpoint. From the point of view of our international trade a decimal monetary system would be an immense advantage. I agree with so much of Mr. A. F. Pease's reservation as relates to this chapter.

Ministry of Industry and Commerce.

I regret that the Committee did not see their way to go into the question of the valuable assistance which the Government could render to our home and foreign trade by the establishment of a well equipped Ministry of Industry and Commerce.

The patched up compromise between the Foreign Office and the Board of Trade as to the Commercial Attaché, Consular and Trade Commissioner services, may be welcomed as a belated recognition that the state of affairs has been far from satisfactory. But there is ground for apprehension that the dual control of two Government departments will not tend to efficiency or progress. Beyond that, what is required is not merely an improvement in commercial reports from Consuls abroad, but an efficient Government organisation which will actively interest itself in promoting developments of industry at home and assisting British commercial and financial enterprise abroad. Why should our Government not take an even more energetic part than the Governments of Germany and the United States take, in assisting to obtain business for the nation, and promoting its industries, commerce and financial interests? It is an anomaly that this country, greatest of all traders, with the widest interests, and depending admittedly for the breath of life on its overseas commerce, has not a Ministry specially devoted to those interests.

(Signed) ARCHIBALD WILLIAMSON.
23rd November, 1917.

APPENDIX I.

Mineral Surveys.

Letter from the Chairman to the Prime Minister, dated 4th May, 1917.

Sir,

1. The Committee on Commercial and Industrial Policy have been informed that the following Resolution has been adopted by the Imperial War Conference recently in session:—

"That it is desirable to establish in London an Imperial Mineral Resources Bureau, upon which should be represented Great Britain, the Dominions, India, and other parts of the Empire.

"The Bureau should be charged with the duties of collection of information from the appropriate Departments of the Governments concerned and other sources regarding the mineral resources and the metal requirements of the Empire, and of advising, from time to time, what action, if any, may appear desirable to enable such resources to be developed and made available to meet the metal requirements of the Empire.

"That the Conference recommends that His Majesty's Government should, while having due regard to existing institutions, take immediate action for the purpose of establishing such a bureau, and should as soon as possible submit a scheme for the consideration of the other Governments summoned to the Conference."

2. The matter to which this Resolution relates has engaged the attention of the Committee for some time as part of the larger question of the development of Imperial resources in raw materials generally (Subhead (*c*) of the Committee's terms of reference), and would have been discussed at some length in their Final Report. As, however, the Committee's conclusions, so far as they relate to minerals and metals, are substantially identical with those expressed by the Imperial War Conference, it appears expedient that the Committee should record their general concurrence in the Resolution in question, and indicate briefly their reasons.

3. The inadequacy and want of co-ordination of the information existing prior to the war, as to the requirements of the Empire in respect of many essential commodities, and as to the extent to which those requirements could be met from Imperial Resources, have been repeatedly brought to the notice of the Committee. These points have been exemplified in the Memorandum on the Supply of Essential Drugs furnished by the National Health Insurance Commission (printed as an Appendix to the Committee's Interim Report on certain Essential Industries), and in the Memorandum on the same subject presented by the Pharmaceutical Society; in the Report on the Supply of Textile Materials by the Textile Trades Committee communicated to the Committee by the Board of Trade; and in the Memoranda as to Essential Commodities furnished by the Admiralty, the Ministry of Munitions, and the War Office. The matter was also discussed in the evidence given on behalf of the Imperial Institute and Geological Survey, the Iron and Steel Institute, the Institute of Metals, the Institution of Mining Engineers, and the Institution of Mining and Metallurgy, all concerned with minerals and metals. Further, the attention of the Committee has been directed to the Final Report of the Dominions Royal Commission, in which this subject is discussed at some length.

4. It is of course the case that much has already been done in the direction of making good the shortcomings to which reference has been made in the preceding paragraph. The Geological Survey has undertaken a special economic survey of certain of the mineral resources of Great Britain and is publishing a series of memoirs on the subject. The Geological Survey of Ireland is entrusted with similar duties under the direction of the Department of Agriculture and Technical Instruction. Much work has been carried out during the war in respect of Drugs by the National Health Insurance Commission. The Dominion Governments have organisations of various kinds for the collection of data as to the economic resources of the respective Dominions, and in some cases for the framing of development schemes. The Government of India have recently appointed a Commission to consider the measures required for the industrial development of India, and many detailed enquiries are being carried out. The Imperial Institute, which was designed to collect and disseminate information as to the supply and uses of products of economic value in the British Dominions, India, and the Colonies, and to conduct investigations in regard thereto, has, for a number of years, carried on work which has been extended considerably during the war; and at the request of the Secretary of State for India the Institute is now specially investigating the possible further utilisation within the Empire of raw materials produced in India. We understand that the Ministry of Munitions of War has recently established a special Department to collect information as to the output of minerals (other than coal) in the United Kingdom and to frame schemes for its development for war purposes.

5. The Committee have, however, been impressed by the absence of any machinery to secure that the enquiries into Imperial Resources conducted in normal times are sufficiently comprehensive in range and directed towards the requirements of the Empire as a whole, that they are properly co-ordinated, and that the resultant information is made available in the most appropriate form. The shortcomings of existing arrangements in these respects have been brought to the notice of the Committee, especially in regard to mineral resources, and the representatives of the four Institutions mentioned in paragraph 3 above urged the desirability of the establishment of a Central Department of Minerals and Metals. The Committee doubt if the precise form of organisation proposed by them would prove to be practicable or best suited for the purpose in view; but they are strongly of opinion that some effective organisation should be provided as soon as possible in the form of an intelligence and advisory bureau:—

(*a*) For securing the detailed and systematic collection, examination, and dissemination of information as to the needs and resources of the Empire in respect of all minerals and metals of economic or military importance; and

(*b*) For framing proposals for submission to the proper authorities as to the co-ordination of existing surveys and investigations and any extensions thereof which may appear expedient.

6. It is obvious, however, that the mere collection of data may not be sufficient for the purpose in view, and in certain cases it may be necessary for further action to be taken. Existing mineral deposits of importance for the economic or military security of the Empire may not be adequately worked, and the discovery of new deposits may not, in the absence of some kind of Government assistance or encouragement, be followed by their commercial exploitation. It appears to the Committee that in such cases it should be the duty of the organisation suggested in the preceding paragraph to consider if the deposits are from the Imperial standpoint of such military importance, or likely with some assistance in the early stages of exploitation to become of such economic importance, as to warrant Government aid in their development, and, if so, to frame recommendations for the consideration of the particular Governments concerned.

7. The precise form of the organisation to be entrusted with the duties thus briefly indicated, and the manner in which it can best be constituted—by the adaptation and co-ordination of existing institutions or by the creation of a new body—are matters which the Committee feel they must leave to be determined by H.M. Government. It will obviously be necessary for the Governments of the Dominions, India, and the Colonies to be consulted, and for account to be taken of the circumstances and interests of the various bodies which, as indicated in paragraph 4 above, are

already engaged in work somewhat on the lines contemplated. The Committee accordingly limit themselves to suggesting the following general principles:—

(1) The new organisation should be primarily an Intelligence and Advisory Bureau, in close communication and co-operation with such Departments of the Home and Oversea Governments of the Empire as are concerned with the matters within its purview.

(2) It would clearly be impracticable to give the proposed Bureau any executive functions. It might be found advantageous at a later date to transfer some existing Institutions in the United Kingdom to the management of the Bureau, but no such transference appears necessary at the outset.

(3) To secure the co-operation of the Oversea Governments it is most desirable that they should be represented upon whatever body may be charged with the supervision of the work of the Bureau; and in view of the necessity for increased attention to the mineral resources of Ireland special provision should also be made for Irish representation.

(4) The services of both scientific and commercial experts should be utilised to the fullest possible extent.

8. The Committee believe that such an organisation as is suggested would be of great service in the development of the Empire, and should their expectations be realised it would be possible to widen its scope and functions from time to time without substantial modifications of its constitution.

I have the honour to be, Sir,
Your obedient Servant,

(Signed) BALFOUR OF BURLEIGH.

The Right Honourable
DAVID LLOYD GEORGE, M.P.,
Prime Minister.

APPENDIX II.

MEMORANDUM ON DECIMAL COINAGE HANDED IN BY SIR JOHN BRADBURY, K.C.B., SECRETARY TO THE TREASURY.

I.

The movement in favour of the adoption of a decimal system of coinage and of a decimal system of notation for accounting purposes in the United Kingdom is not a new movement, but one which has already nearly a century of history behind it.

This history may be said to begin with Sir John Wrottesley's motion made in the House of Commons on the 25th February, 1824.

In its first stage the question was discussed as one of national convenience; in its second stage it appeared as one of international policy. The year 1867, in which the International Monetary Conference of Paris reported, may be taken as the dividing line between the two stages.

It has been discussed by—

1. The Select Committee of the House of Commons of 1853;
2. The Royal Commission of 1857;
3. The Paris Conference of 1867 and the Commission of International Coinage of 1868;
4. The Colonial Conferences of 1902, 1907, and the Imperial Conference of 1911.

II.—*The Select Committee on Decimal Coinage*, 1853.

This Committee found that a decimal system of coinage was greatly superior to the existing system on the grounds of—

1. Saving of unnecessary labour in account-keeping, calculation and primary education;
2. Avoidance of error;
3. Greater facility for comparison of prices home and foreign.

There was some difference of opinion as to the monetary units to be employed and the methods of effecting transition from the old to the new system.

The Commission anticipated strong opposition from the less educated classes, great practical difficulties arising out of legal obligations expressed in terms of pence and their sub-multiples (which would be excluded from circulation under a system based on decimal divisions of the pound), *e.g.*, statutory toll-charges, and the railway maximum mileage rates, postage and receipt stamps; customs duties, and the pay of the troops. But as evidence that these and similar difficulties were not insuperable, the Committee adduced the two conspicuous instances of a change of currency in recent times (1) that of the United States, which at the close of the eighteenth century gave up £ s. d. for dollars and cents; and (2) that of Ireland, which in 1825 gave up Irish currency (in which 13 pence Irish = 12 pence sterling) for the currency of Great Britain.

The most interesting parts of the Committee's Report and evidence are perhaps those relating to the *basis*, *i.e.*, the unit of value, the denominations of the money of account and the coins of circulation of the proposed system.

As to the basis of unit of value, the Committee were unanimous in recommending the retention of the pound sterling.

They regard any departure from this basis as likely to lead to "infinite complication and embarrassment in our commercial dealings," and wholly impracticable.

They also regard the pound as itself a convenient basis for a decimal system, particularly as the tenth of a pound sterling, *viz.*, the florin, had been introduced into the British currency system a few years before with the avowed object of rendering a decimal subdivision of the sovereign more simple.

Briefly then, they proposed, as money of account, four denominations.

The Pound Sterling	= The Unit (1,000 Mils).
The Florin	= 1/10th (100 Mils).
The Cent	= 1/100th (10 Mils).
The Mil	= 1/1,000th

in substance the proposal contained in Sir John Wrottesley's motion of 1824.

The application of these denominations of the money of account to the medium of circulation then in existence would, in the opinion of the Committee, have the following results, *viz.*:—

Coins to be retained.	Coins to be added.	Coins to be abandoned.
Gold—£1 (1000 mils)		
£½ (500 mils) ...		
Silver—5*s.* (250 mils)...		2*s.* 6*d.* (125 mils).
2*s.* (100 mils)...		
1*s.* (50 mils) ...		
	20 mils	
	10 mils	4*d.* (16·6 mils).
6*d.* (25 mils) ...		3*d.* (12·5 „).
Copper	5 mils	1*d.*
	2 mils	½*d.*
	1 mil	¼*d.*

Thus the coin at the bottom of the present scale (one farthing) would be replaced by a coin (the Mil) only 4 per cent. less in value: being the 1/1,000th instead of the 1/960th part of the £1.

The Committee decidedly rejected the alternative scheme of maintaining the value of the farthing and substituting for the present £1 (or 960 farthings) a new pound of 1,000 farthings—£1 0*s.* 10*d.*, with a new shilling of 50 farthings—1*s.* 0½*d.*, as it would "necessitate the withdrawal of the whole of the present gold coinage, and nearly the whole of the silver, and involve the alteration of the terms of all contracts and obligations expressed in coin of either of the latter metals."

III.—*The Royal Commission on Decimal Coinage*, 1857.

The immediate occasion of the appointment of the Royal Commission of 1857 was the adoption by the House of Commons on 12th June, 1855, of a resolution:—

"That the initiation of the decimal system by the issue of the florin has been eminently successful and satisfactory, and

"That a further extension of the system will be of public advantage."

In their first report they expressed the opinion that of the many and various decimal coinage systems suggested since 1824 only two deserved, by reason of the weight of opinion behind them, serious consideration, *viz.*: the system based on the pound (cent and mil) which would sacrifice the penny, half-penny and farthing, and the system based on the penny, which would sacrifice the pound.

The Commission was limited by its reference to consideration of coinage to the exclusion of weights and measures, and to the consideration of decimal coinage from the national as opposed to the international standpoint—limitations which certainly restricted its usefulness.

Nevertheless, the final report of this Commission (signed by Lord Overstone and Mr. Hubbard, Lord Monteagle having resigned just before the conclusion of the enquiry) has considerable importance.

It discounts the value of the experience of foreign countries in which the change to decimal coinage has been made by showing the difference between the circumstances of the United Kingdom and the conditions which prevailed in those countries prior to the change.

It shows that the belief in an unanimity of scientific opinion in favour of the decimal standards is unwarranted.

It expresses the decided opinion that any scheme which displaced the pound sterling as the unit of value would be impracticable, and that accordingly the pound and mil scheme among many rivals alone deserves consideration; that for purposes of retail trade the existing system is superior to a decimal system, and concludes that the pound and mil scheme "cannot be looked upon as a well-assured or demonstrated improvement on our present coinage, but rather . . . as an experiment of very doubtful result accompanied, beyond all question, by many serious transitional difficulties."

"That the advantages in calculation and account-keeping anticipated from a decimal coinage, may, to a great extent, be obtained without any disturbance of our present coinage, by a more extensive adoption of the practice now in use at the National Debt Office and in the principal assurance offices, viz.: of reducing money to decimals, performing the required calculation in decimals, and then restoring the result to the present notation . . ."

"That . . . it does not appear desirable under existing circumstances, while our weights and measures remain as at present . . . to disturb the established habits of the people with regard to the coins now in use, by a partial attempt to introduce any new principle into the coinage alone."

IV.—*The Paris Conference of* 1867 *and the Royal Commission on International Coinage* (1868).

After the conclusion of the Monetary Convention of the Latin Union (23rd December, 1865), the Emperor Napoleon invited the British Government to enter the Convention, or failing this to consider the adoption of a method of "liaison" between the coinage of the Latin Union and that of the United Kingdom, and in any event to send representatives to the International Conference of 1867.

In response to this invitation, the Master of the Mint (Mr. Graham) and a representative of the Treasury (Mr. Rivers Wilson) were sent to Paris to attend the Conference, but without power to commit the Government to action of any kind.

The Conference representing twenty different States recommended:—

1. The adoption of a single gold standard.
2. The adoption of 9·10 as the ratio of fine gold to the weight of gold coins.
3. The striking by States parties to the Convention of gold coins of the denomination of 5 frs. or some multiple thereof.
4. The striking of a gold coin of the value of 25 frs. as an international coin.

The Royal Commission of 1868 was appointed to consider the reports of the International Conference and of the British representatives, and to consider the practicability of the adoption of the measures recommended in the United Kingdom. Its evidence in the main supported the advantages of an international coinage for promoting foreign trade and simplifying statistics.

The Commission distinguished between:—

1. An international money of account,
2. An international coin,
3. A complete international coinage system, and
4. International coinage, weights and measures,

and expressed the decided opinion that the advantages anticipated could only be fully attained by the complete assimilation of all measures of weight, size and monetary value, and that the inconvenience of a change is "the greatest when a sound system has long been in existence and is deeply rooted in the feelings and habits of a people."

The Royal Commission concerned itself mainly with proposals for assimilating the principal standard coins of the world, viz.:—

	Grains fine gold.
The half-eagle of the U.S.A. containing	116·1
The sovereign containing	113·001
The 25 fr. piece ,, ...	112·008

and was so impressed with the difficulties of decreasing the gold content of the sovereign by ·993 grain, and its value by 2·126 pence, the sovereign being "everywhere familiar and regulating the exchanges of the world," that they suggested that instead the Latin Union should increase the amount of fine gold in the comparatively new 25 fr. piece, and that the United States should assimilate their half-eagle to the sovereign instead of the 25 fr. piece, thus yielding an international system of commensurate values thus:—

£1	=	25 francs	= half eagle =	$5
16*s.*	=	20 francs	=	$4
4*s.*	=	5 francs	=	$1

V.—*The Colonial Conferences of* 1902 *and* 1907 *and the Imperial Conference of* 1911.

At the Colonial Conference of 1902 a resolution was passed in the following terms:—

"That it is advisable to adopt the metric system of Weights and Measures for use within the Empire, and the Prime Ministers urge the Governments represented at this Conference to give consideration to the question of its early adoption (Cd. 1299-1902, page 40)."

No specific reference was made in the discussion to coinage, and the President of the Board of Trade in accepting the motion on behalf of the Home Government pointed out that it did not imply compulsion, but rather the desirability of an educational preparation for the suggested change.

At the Conference of 1907 there was some discussion of the metric system generally in its application both to coinage and to weights and measures.

On behalf of the Imperial Government, it was pointed out that the cotton and woollen trades and some others were emphatically opposed to a change of weights and measures, as shown by a debate in the House of Commons a few weeks earlier, and the Prime Ministers of the Dominions recognised that "in face of the attitude of the Mother Country both the metric system and the decimal currency were temporarily outside practical politics." (Cd. 3523, pp. 192-5.)

On the occasion a reasoned statement was laid before the Conference by the Treasury. (*See* Cd. 3524, pp. 173-5.)

This statement briefly sketched the history of the decimal controversy from 1841 and 1859, and quoted *in extenso* the conclusions of the Royal Commission which reported in 1859, adding that "this weighty

pronouncement may be considered to have disposed of the question for the last fifty years so far as the United Kingdom is concerned."

The Memorandum states that "it remains as true to-day as it was in 1859 that there is no such approach to unanimity of opinion in the commercial or other classes of the community as would justify the Government in taking action," and that the Treasury is opposed to the appointment of another Royal Commission.

At the Conference of 1911 a resolution was moved by the representative of New Zealand "that with a view to facilitating trade and commerce throughout the Empire, the question of the advisableness of recommending a reform of the present units of weights, measures and coins ought to engage the earnest attention of the Conference."

This resolution was dropped after the difficulties of effecting any change in the United Kingdom had been pointed out on behalf of His Majesty's Government by the President of the Board of Trade (2nd June, 1911, pp. 165-170 of Cd. 5745).

A fortnight later the same resolution was discussed again, together with another moved on behalf of New Zealand.

"That it is in the best interests of the Empire that there should be more uniformity throughout its centres and dependencies in the law of . . . currency and coinage."

This discussion showed that there was not general agreement in favour either of a decimal system based on the sovereign, or the Canadian system pure and simple, or a combination of the Canadian and British systems.

The representatives of the Home Government, including the present Prime Minister (Mr. Lloyd George), strongly insisted on the difficulties of any change in the United Kingdom, and eventually the Resolution was withdrawn.

(Cd. 5745, pp. 165-170; *ibid.*, pp. 367-372; Cd. 5741, pp. 35-6, 69-70.)

No further papers on Decimal Coinage were laid before this Conference, as the Treasury intimated that they had nothing to add to the Memorandum (quoted above) laid before that of 1907. (Cd. 5746-1, p. 204.)

VI.—*General Conclusions.*

The conclusions which appear to flow from the previous history of, and discussions upon, the subject may be summarised as follows:—

1. That, while certain advantages would accrue to international trade from the adoption of the metric system of weights and measures which is already in use in a large part of the civilized world (more particularly if the system were simultaneously adopted by the United States of America), no comparable advantage would be derived from the adoption of a decimal coinage based on any existing British unit, since for the purpose of foreign trade conversion would still have to be made into foreign currencies, and such conversion would be almost as troublesome to make from the new insular decimal currency as from the existing currency.

2. That, while for domestic purposes a decimal system, once established, would in some respects be more convenient than the existing system, the advantages to be gained are not sufficiently considerable to compensate for the undoubted inconvenience (amounting in many cases to actual dislocation of business) which would attend the transition.

These considerations were regarded as conclusive sixty years ago, and they have gained rather than lost in force between 1857 and the outbreak of the present war.

On the one hand the volume and complication of the contracts and arrangements, which would require to be adjusted, have increased enormously; and in this connection those expressed in terms of the penny are almost as important as those expressed in terms of the pound, *e.g.*, wages, rates, and postal and other tariffs; on the other hand the area dominated by sterling currency, and more particularly that dominated by the British sovereign, has become much more extensive.

Sterling has always been the money of account of a large part of the British Empire, but of recent years the British sovereign has become practically universal as the standard (on the American continent the joint standard) of value, not only for the parts using sterling as the money of account but also for those which previously employed other standards.

Sterling (pounds, shillings and pence) constitutes the money of account partially in the Mediterranean (*viz.*, in Gibraltar and Malta, but not Cyprus or Egypt), partially in the American hemisphere, *viz.*, in the West Indian Group, Bermuda, and the Falkland Isles but not in Canada, Newfoundland, and British Honduras and British Guiana; throughout the whole of South and Central and West Africa, and throughout Australasia without exception.

In the East, the Indian rupee (with a local subsidiary coinage on a decimal basis) dominates Ceylon, the East African Possessions (the Protectorates of British East Africa, Uganda, Somaliland, and Zanzibar), Mauritius, and the Seychelles; the Straits dollar and its decimal sub-divisions rule the Straits Settlements and the Malay Peninsula. But both the Indian rupee and the Straits dollar are tokens which have meaning only in relation to the sovereign.

Cyprus and Egypt have peculiar systems, which, however, are linked with the British Sovereign and no other monetary unit. Hong Kong alone rests not on the sovereign but on the Mexican dollar; but when a gold standard is adopted in China this last survival will disappear.

Thus, so far as money of account is concerned, the only serious rival to sterling is the American dollar, with its decimal sub-divisions, which dominates Canada, Newfoundland, and British Honduras and British Guiana; as regards legal tender, with the solitary exceptions of Hong Kong, Mauritius, and the Seychelles, the sovereign has the status of legal tender throughout the whole Empire even where it is not the money of account, while the coin and accounting denominations of three of the greatest self-governing dominions are identical with those of the United Kingdom.

VII.—*The present position as affected by the War.*

It has been maintained that a change of currency to a decimal basis would be easier now than in normal times, by reason of the instability of prices and the disturbance of the foreign exchanges which have resulted from the War. A suggestion was made at a comparatively early stage in the War that the existing penny might be declared to be one-tenth of a shilling, or a new coin of one-tenth of a shilling (1½*d.*) might be introduced to circulate concurrently with the existing penny.

The proposals were *prima facie* rather attractive when the average rise in prices was about 20 per cent.; but, even if that psychological moment had been seized for introducing them, the difficulties of carrying either of them into effect would have been considerable. The rise of price was not a sudden increase of 20 per cent. in all commodities, but a gradual rise by different percentages in each. When the average of 20 per cent. was reached, new prices were already in force expressed in the existing currency, and by reason of the varying percentage increases from the pre-War level it would have been impossible to revert to pre-War prices in pence of the new currency. Each current price, as expressed in pence of the existing currency, would, just as if no change in prices had occurred, have had to be multiplied by five and divided by six to arrive at the price in terms of the new currency.

Some advantage might have been gained in regard to articles customarily sold at 1d.—newspapers, bottles of ink, matches, and packet goods—in which a rise was overdue. But even in regard to these the remedy was far too inelastic to meet the situation.

The conclusion is that a sudden and arbitrary alteration in the value of the penny so far from facilitating price adjustments generally in a period of unstable prices would in most cases merely increase the existing confusion. The choice of such a time for the alteration can only be justified on the principle that "one may as well be hanged for a sheep as a lamb," though such a moment might commend itself to the advocates of a change on the ground that in the general dislocation the precise share of responsibility which should be borne by the currency change can never be brought home to it.

Of the two suggestions referred to above, the former—to increase the currency value of the existing penny—would for political and social reasons have been almost impossible, for the reason that a large part

—including the least educated part—of the community receives its income in the main in shillings and spends it in the main in pence. It is only necessary to make a mental picture of a fish-wife receiving 9d. change out of a shilling after purchasing a penny postage stamp to realise that the scheme would have been impracticable.

The latter suggestion—the concurrent circulation of coins as close together in value as 1*d.* and 1½*d.*, which have no common multiple in the existing currency less than 6*d.*, or in the new currency less than 20 cents—would have led to hopeless confusion. If prices generally had been continued to be expressed in pence, the new coin would have been useless in quantities less than 5 for all purposes, except the purchase of the particular articles priced in cents. If prices generally had been changed into cents, pennies would have become useless except in sixes (and halfpennies except in twelves), and, unless the existing copper coinage could have been immediately exchanged for a new coinage, there would have been a famine of small change.

A recent scheme put forward by the Executive Council of the Associated Chambers of Commerce seeks to get over this difficulty by rating the penny and halfpenny for the purposes of the new currency at 4 cents and 2 cents respectively instead of their proper values of $4\frac{1}{6}$ cents and $2\frac{1}{12}$ cents, safeguarding holders of existing coins of those denominations against loss by giving facilities for exchanging the existing issues for a new issue of 4-cent and 2-cent pieces at post offices, and for receiving the difference in value upon the exchange.

It would, however, be essential to the success of this scheme that before the new system was introduced reserves of the new coins should be accumulated at the post offices of sufficient amount to permit of the whole of the bronze coins in circulation to be exchanged within a few days, since so long as the Government offer to give 50 cents for 12 pence was open, the penny would either continue to circulate at $\frac{1}{12}$th of 50 cents or not circulate at all.

In view of the unprecedented demands on the Mint since the outbreak of war, which show little sign of any abatement, the preparation of these reserves would, if it could be undertaken at all, have to be spread over a very lengthy period. This would involve the locking up of very large quantities of copper, which would only be released when the existing bronze coinage was withdrawn, to the serious prejudice of the supply for munitions.

The same objection would apply to the proposed striking of nickel 5-cent and 10-cent pieces during the War.

But apart from these practical objections there is an objection in principle to the retention in a decimal system based on the present florin of a coin approximating very closely in value to the existing penny. Most modern decimal systems of coinage, while freely accepting coins representing one-fourth of a unit, reject coins representing 4 units, although the theoretical decimalists of the past mostly agreed either in accepting or in rejecting both. The reason is that the "vice" of the binary sub-division is corrected by binary multiplication, while that of the binary multiple is made worse by the same process. A low denomination coin tends to become a price unit, and, low price units being (at any rate with the metric system of weights and measures) more commonly multiplied than divided by non-decimals, the existence of a 4-unit coin is more destructive to decimality than that of a quarter unit. A 4-cent coin which would undoubtedly continue to be called a "penny" and multiples of which would be likely to be retained as price units in preference to decimal multiples of the cent, would almost certainly tend to keep the money of every-day life permanently divorced from the formal money of account and give rise to lasting confusion and inconvenience.

The concurrent circulation of 4-cent and 5-cent pieces would involve the general circulation of the 1-cent piece (4 per cent. less than a farthing) for purposes of "giving change," whereas experience has shown that the halfpenny is the smallest coin required for ordinary use except in a few particular localities.

If a decimal system based on the sovereign is to be adopted a 4*s.* dollar would be a much better unit than a 2*s.* florin.

As against a slight amount of additional trouble in making the original conversion—the pounds have to be halved and a cipher added instead of having merely a cipher added—this unit presents the following advantages as compared with the florin:—

1. It economises on an average half a figure in the expression of all large sums, at the same time allowing all amounts which are multiples of a halfpenny to be expressed without going beyond two places of decimal.
2. The coin approximating to the penny is the double, not the quadruple, of the sub-unit and therefore a normal coin in a decimal system, while the smallest coin needed for general circulation in order to connect this coin with the smallest decimal sub-division and the higher unit 5 cents = $2\frac{5}{6}d.$, is a coin approximating to the present halfpenny.

A ½-cent could be coined for the purpose of these comparatively rare transactions for which the farthing is now employed, the half-cent being shown in accounts when it occurs in the form of a vulgar fraction as in America.

Turning from the "pound" to the "penny" scheme of decimalisation, we find that the events of the war have tended to reduce some of the more formidable obstacles to an extent which may incline the balance, if a decimal system is decided upon at all, in favour of this alternative.

A notable exception to the almost universal condemnation which has been bestowed on the penny basis was Walter Bagehot—a very high authority on currency matters—whose opinion was that, if either unit was to be altered, the alteration of the pound involved far less disturbance than the alteration of the penny.

Bagehot advocated the plan for a new pound of 1,000 farthings of the existing currency, having a value in terms of present money of £1 0*s.* 10*d.*

He pointed out that this pound would differ in value only to a very slight degree (in fact by about $1\frac{3}{8}$ per cent.) from $5 of United States currency, and might form a basis for the future assimilation of the two currencies and the creation of a single money for the whole English-speaking world.

Apart from considerations of sentiment—the importance of which, however, in connection with the pound sterling it would be difficult to exaggerate—and the trouble and labour of "converting" existing obligations (which, as Bagehot rightly held, is not a very serious matter, if the conversion rate is not too complex, and which in any case is done once and for all), the principal objections against the dethronement of the pound is the disturbance supposed to be involved in the actual circulating medium, "All the existing gold and silver coins would have to be withdrawn and new ones substituted."

The great alteration made by the war is that the existing gold coins have been withdrawn, and we have learned that it is unnecessary to substitute new ones.

An improvement in the scheme favoured by Bagehot would probably be to adopt as the unit of value a British gold dollar representing 23·542 grains of fine gold or 10/48ths of the fine content of the present sovereign, making the hundredth part of it—the British cent—the exact equivalent of the present halfpenny.

Even the existing pound—still more a pound increased by 1/24th—is (notwithstanding Bagehot's own very strong opinion to the contrary) an inconveniently high unit for a decimal system on modern lines. It requires three decimal sub-units to bring it down to the minor transactions of everyday life, while a comparatively low one requires only two—or in practice only one, since nearly all existing decimal systems find it convenient to omit the intermediate unit and reckon in hundredths of the main unit. Indeed, so far has the high value unit now become discredited that the recent Chamber of Commerce scheme, while retaining the sovereign as a coin and as the standard of value, proposes to eliminate the pound from our money of account and reckon in florins and hundredths of a florin.

The writing of a cypher more or less in the integer figure of a sum of money expressed in decimals is a matter of small importance, while the question whether the mind can or cannot form a clearer conception of 100,000 than of 1,000,000 or of 100,000,000 than of 1,000,000,000 is purely one of familiarity. The French financier juggles with his milliards of francs as easily as the British with his millions of pounds.

So far therefore from the dollar being an unduly low currency-unit it is, with the exception of the pound sterling, not only the highest in general use, but as high a unit as modern decimal practice could conveniently adopt.

Under this scheme existing debts would be converted into dollars of the new currency by multiplying the pounds by 4·8, and adding the shillings and pence reduced to half-pence with a decimal point inserted at the second place. Stocks and bonds expressed in sterling would become $480 for each £100.

The existing sovereign and half sovereign would be retained as legal tender for $4·80 and $2·40 respectively. Existing Currency and Bank of England notes would circulate at the same rates, but would be gradually withdrawn in favour of notes for $2 (or $2½) $5 and multiples of $5.

The existing notes and the new notes would be payable in gold at the Bank of England in the form of either sovereigns or Mint bars if presented in bundles of $4,800 or $5,000, at the rate of 1,000 sovereigns for each $4,800, or a Mint bar guaranteed by the stamp of the Royal Mint to contain 245,229 ounces of fine gold for each $5,000.

A few $5 dollar pieces of the new currency might be coined, and the notes (of $5 and upwards) might, if thought desirable for the sake of appearances, be made cashable singly. But this is not essential to the system, and by the time we are in a position to restore gold to circulation, if we wished to do so, the paper money habit will be so firmly established that the demand for the coin would probably be inconsiderable.

The difficulty of the "conversion" of the gold coinage which loomed so large in the eyes of the earlier critics of the penny system has thus in practice disappeared. The existing sovereign would either remain for all time in our gold reserves, or would continue to be used for the purposes of the foreign exchanges, preserving all the traditional prestige for that purpose derived from a century of good minting.

Nor need the silver coinage present insuperable difficulties. All the existing coins would have exact values in the new currency.

The coins ultimately required would be a token silver dollar (which might conveniently be made rather less bulky than the clumsy double-florin now nearly extinct), the half-dollar (equivalent to 2*s.* 1*d.* of the present currency), the quarter-dollar or 25 cent piece (1*s.* 0½*d.*), and the 10 cent piece (5*d.*). A nickel 5 cent piece (2½*d.*), with the existing penny, halfpenny, and farthing as 2, 1, and ½ cents would complete the series.

Of the existing coins the almost obsolete 5*s.* ($1·20) and 4*s.* (96 cents), the half-crown (60 cents), the sixpence (12 cents), and the threepence (6 cents) would remain in circulation at these rates until they could be replaced by coins of the new currency.

The florin and the shilling on the other hand are sufficiently near to the new half-dollar and quarter-dollar to be retained indefinitely at those ratings, the new half-dollar and quarter-dollar, being token coins, might be of the same weight and fineness as the present florin and shilling. It would probably not be beyond the wit of man to devise a plan by which any tendency of the public to hoard coins in anticipation of the profit on the change of rating might be prevented and at the same time to secure that profit for the general taxpayer. As these are now our most widely circulating subsidiary coins*, the economy of such an arrangement would be considerable.

Under this scheme the British dollar would differ from the American by almost exactly $\frac{3}{16}$ per cent. at the par of exchange, and under normal peace conditions the New York Exchange (Telegraphic transfer) would vary between 2 cents and ¾ cent discount. Under present abnormal conditions, on the other hand, the American dollar would command a premium (on the basis of the current exchange rate of $4·76½) of ¾ cent.

For the purpose of comparing British and American prices in normal times we should get nearly, though not quite, as good a result at a glance, as we now get in regard to French prices by the rough and ready method of dividing them by 25. The value for practical purposes of this approximation would vary greatly in different trades but where more complete accuracy was needed the actual rate of exchange would almost always have to be taken into account. This would necessitate a calculation even if the dollars are equal at the par of exchange.

In any case it is as near as we could hope to get towards Bagehot's ideal by efforts from our side. To take the American dollar as it stands as our unit is impossible. Even if it were practicable to convert all the larger obligations expressed in sterling at the gold equivalent of $4.86⅔ to the pound—and the process would result in ragged sums which in cases like that of stocks and bonds would be a nuisance for generations—we should still be confronted with the difficulty that we should be robbing every holder of subsidiary currency of 3d. in the £ on its gold value and varying wages and other contracts in the same proportion to the detriment of the wage-earner or creditor. The more extreme measure of making the new unit legal tender for fifteen seventy-seconds of a pound and only converting it into gold at fifteen seventy-thirds is unthinkable for a nation which owes its pre-eminence in international finance to its scrupulous observance of its contracts to pay gold debts in gold and which furthermore owes a large part of its success in maintaining its foreign exchanges during a period of unexampled stress to the confidence of the foreign holders of London balances that they will be able if they so desire to take them away in gold without abatement when the war is over.

The scheme outlined above is free from any trace of objection on such grounds, yet even so it is vital to our credit that no suspicion, however ill-founded, should arise, more especially at the present moment, as to our intentions in regard to the future of our money.

This consideration which applies more particularly to interference with the pound sterling should not be lost sight of in connection with any scheme for altering the currency.

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* The Royal Mint estimate that florins constitute about 24 per cent. and shillings about 23 per cent. in value of the silver coins now circulating in the United Kingdom. The respective percentages are even higher in the case of Imperial silver circulating in the British Dominions beyond the Seas, *e.g.*, florins 33 per cent., shillings 44 per cent.

APPENDIX III.

SCHEME OF DECIMAL COINAGE FURNISHED BY LORD CUNLIFFE.

—	£	Shillings.	(New) pence.	Value of to-day's coinage.
				£ s. d.
Gold—				
Sovereign	=1·000	= 20·00	= 200	1 0 0
Half-sovereign = ½ sov.	= 0·500	= 10·00	= 100	0 10 0
Silver—				
Crown = ¼ sov.	= 0·250	= 5·00	= 50	0 5 0
Florin	= 0·100	= 2·00	= 20	0 2 0
Shilling = ⅕ florin	= 0·050	= 1·00	= 10	0 1 0
*Fivepence = ¼ florin	= 0·025	= 0·50	= 5	0 0 6
Nickel—				
*Dime	= 0·010	= 0·20	= 2	0 0 2·4
Bronze—				
Penny = ½ dime	= 0·005	= 0·10	= 1	0 0 1·2
Halfpenny = ¼ dime	= 0·0025	= 0·05	= 0·5	0 0 0·6
*Mil	= 0·001	= 0·02	= 0·2	0 0 0·24

* New coins required. But the present farthing could quite well be used as a "Mil" for the present. And there is no urgent need for the "dime" coin.

The 4/-, 2/6 and 6d. coins would (gradually) disappear. But in the meanwhile the 6d., 1d., and ½d. pieces would have their relative values increased by 20%, while the ¼d. so long as it passed as a mil would be infinitesimally reduced in value.

APPENDIX IV.

REPORT OF THE COMMITTEE APPOINTED BY THE INSTITUTE OF BANKERS TO ENQUIRE INTO THE ADOPTION OF A DECIMAL COINAGE AND THE METRIC SYSTEM OF WEIGHTS AND MEASURES.

[Adopted at a Special Meeting of the Council of the Institute, held on Wednesday, May 2nd, 1917.]

YOUR Committee are of opinion that the existing system of weights and measures in this country is an obstacle in the way of the extension of our foreign trade, and more especially of our export trade. This is, indeed, one of the main considerations which has influenced your Committee in recommending the adoption of a decimal coinage, as they hope that it may be the first step towards the introduction of the metric system of weights and measures into this country.

Your Committee are convinced that no decimal system of coinage which is not based on the pound sterling can possibly be accepted by the bankers of this country, and that the present pound sterling, unchanged in weight and fineness, must remain the unit of value. The pound sterling is universally recognised in the settlement of international transactions throughout the world, and any abandonment, even in name only, of its use as our standard unit, would be fraught with risks which your Committee consider it would be unwise to incur.

Your Committee have therefore decided to recommend a decimal system based on the pound sterling, to be divided into a thousand parts called mils, the coinage to be as follows: —

		£	
Gold ...	Sovereign ...	1·000 =	1,000 mils.
	Half-sovereign ..	·500 =	500 ,,
Silver ...	Double Florin (or four shilling piece)	·200 =	200 ,,
	Florin (or two shilling piece)	·100 =	100 ,,
	Half-florin or shilling	·050 =	50 ,,
	Quarter-florin (or sixpence) ...	·025 =	25 ,,
Nickel or some other metal or alloy. To be scalloped.	Ten mil piece	·010 =	10 ,,
Bronze ...	Four mil piece	·004 =	4 mils.
	Two mil piece	·002 =	2 ,,
	Mil	·001 =	1 ,,

The use of the term "cent" borrowed from other coinage systems, is in the Committee's opinion undesirable and likely to lead to confusion, owing to the fact that our subsidiary coinage would not correspond in value with that of any other country.

A standard unit of so high a value as the pound sterling involves the use of three places of decimals, and this may be thought to be an objection to the proposed system as compared with the systems prevailing in other countries. This objection vanishes on examination, because the extra figure to the right of the decimal point is compensated by one digit less to the left of the point. Thus, taking a system in which the florin is the unit of account, and comparing the method of expressing sums in the two systems, we get:—

	Pound as unit.	Florin as unit.
£26 17 6 =	£26·875 =	Fl. 268·75
1 11 6 =	1·575 =	,, 15·75
16 4 =	·816 =	,, 8·16

If the proposed system be adopted there will be no change in the gold coinage. The existing silver coins will continue (in some cases under new names) with the exception of the crown, half-crown and threepenny piece, which it is proposed to discontinue. The half-crown could, if it were thought necessary, be made to fit in to the new decimal coinage as 125 mils. There will be no room, however, for the threepenny piece, as this would involve four places of decimals; but as a substitute the Committee recommend the coinage of a 10 mil piece having a scalloped edge, made of nickel or some other metal or alloy.

The Committee feel confident that as regards the gold and silver coinage the transition to a decimal system will not present any serious difficulties. As regards the bronze coinage, a change in the value of the coins is necessary, and some disturbance in the small everyday monetary transactions is unavoidable.

The sovereign is at present divided into 960 farthings; under the proposed decimal system it will be divided into 1,000 mils. The 4 mil piece will be the nearest coin to the penny, being 4 per cent. less in value. If, therefore, a 4 mil bronze piece is coined to take the place of the penny, the wage-earner will obtain ten more of these pieces for every sovereign in his weekly wages. If a 5 mil piece were coined (which would be the logical result of the adoption of a decimal coinage) the wage-earner would, for every sovereign, obtain 200 of such pieces as against 240 pennies. The penny is a common measure of value in small retail transactions, and the Committee feel that to substitute the 5 mil piece for the penny would arouse widespread hostility to the change, and the risk of this taking place would be much greater if a 5 mil piece, as well as a 4 mil piece were coined. They therefore recommend that for the present at all events, no 5 mil piece be coined. They believe that the difference of 4 per cent. in the value of the bronze coin will be quickly adjusted, especially as the decrease in the purchasing power of the penny during the war has accustomed the public to such adjustments.

Certain standard charges will have to be re-adjusted, and may cause difficulty, *e.g.* the penny post, the penny-a-mile railway fare, the penny receipt and cheque stamp, and so on, but your Committee can do no more than point to the existence of such difficulties. They are, however, of opinion that in order to mitigate the inconveniences of the period of transition, arrangements should be made for calling in the whole of the existing bronze coinage in the shortest possible period after the date when the new currency system comes into operation, and for the immediate issue of new bronze mil pieces, or if this cannot be done for the re-issue of the old bronze pieces stamped with their new denominations.

With regard to the date of the introduction of the change, your Committee are of opinion that the change cannot be made until some time after the declaration of peace, as it will necessitate certain mechanical alterations (*e.g.* in the adding and calculating machines) which cannot be carried out under present conditions. They are, however, strongly of opinion that the necessary legislative steps should be taken without delay, and that the date of the introduction of the change be subsequently announced in time to permit of an educational campaign being organised with a view to habituating the public and the staffs of the banks to the new system.

The necessary legislation would be simple. Appended to the Report is a short draft Bill which appears to be all that is required.

Your Committee have already indicated in the opening paragraph of their Report their approval in principle of the adoption of the metric system of weights and measures in this country. They wish, however, to leave the settlement of the details and methods of its introduction to those whose business brings them into closer practical relation to the subject, and they therefore confine themselves to this general expression of opinion.

(Signed) R. V. Vassar-Smith (*Chairman*),
Mackenzie D. Chalmers,
Harold Cox,
F. Hyde,
Fredk. Huth Jackson,
R. Martin-Holland,
T. H. Whitehead.

Ernest Sykes,
Secretary.
17*th April*, 1917.

Draft Bill mentioned in preceding Report.

To amend the Coinage Acts, 1870 and 1891, for the purpose of securing a Decimal System of Coinage.

Be it enacted, etc.

Substitution of Decimal Coinage for existing silver and bronze coins.

I. (1) For the now existing subsidiary coinage of silver and bronze, there shall be substituted a subsidiary coinage constituted on a decimal basis, that is to say, each subsidiary coin shall be a multiple of the thousandth part in value of the pound sterling or sovereign, and such part is in this Act called a "Mil."

(2) The new subsidiary coinage shall be of the denominations specified in the Schedule to this Act.

(3) In addition to the powers conferred by Section eleven of the Coinage Act, 1870, it shall be lawful for His Majesty, with the advice of His Privy Council, by proclamation

(*a*) to direct that new coins shall be made of nickel or bronze or such other metallic substance as the Proclamation may specify.

(*b*) to make such regulations as may be necessary or proper for carrying this Act into effect, and in particular for adapting the provisions of the Coinage Act, 1870, to the coinage issued under this Act.

Short Title and Construction.

II. (1) This Act may be cited as the Decimal Coinage Act, 1917, and shall be construed as one with the Coinage Acts, 1870 and 1891, and those Acts and this Act may be cited together as the Coinage Acts, 1870 to 1917.

(2) This Act shall come into operation on such day as His Majesty may by Proclamation direct.

Schedule.

Denomination of Coin.	Value in Pounds.	Value in Mils.
Silver—	£	
Double florin	·200	200
Florin	·100	100
Half-florin	·050	50
Quarter-florin	·025	25
Nickel or some other metal or alloy—		
Ten mil piece	·010	10
Bronze—		
Four mil piece	·004	4
Two mil piece	·002	2
Mil...	·001	1

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